

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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*The 64th Annual Convention of the American Bankers Association
Houston, Texas, November 14-17*

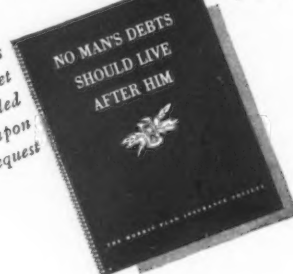
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"NO MAN'S DEBTS

SHOULD LIVE AFTER HIM"

...and no personal loan *does* live after him when it is automatically protected by life insurance in favor of his bank. Then *invariably* the bank's net profits increase; so does good will; and endorsers are more readily obtained. The world's largest (and the original) underwriter in this field: The Morris Plan Insurance Society, 420 Lexington Avenue, New York, N. Y. *Insurance for the Banker on the Life of the Borrower* ...Since 1917.

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The Condition of BUSINESS

GRADUAL IMPROVEMENT. Business generally is less shy and is beginning to count boldly on a period of gradual expansion with only minor setbacks. A great many persons do not like the national debt and tax outlook any better than before but are going along with the prosperity chorus. A representative group of active leaders from every section of the country recently had an opportunity to exchange views across the table and these men were practically unanimous in the belief that the trend was definitely up.

MORE COURAGE. The sort of confidence that was lacking in 1936 and the first part of 1937 is now a factor to be reckoned with and it seems to be genuine enough to stand quite a bit of pounding. In spite of an occasional discordant note, we appear to be closer to an era of national teamwork than at any time in a half dozen years and this is reason enough for whatever confidence exists.

UNBALANCED BUDGET. The Government's debt casts a disagreeable shadow over everything and in this respect the situation is obviously worse than ever. It is unfortunate in the midst of rising activity and increasing production that the Government should be going farther into debt every day and that this way of managing the public purse should have become so commonplace that it is mentioned only at the risk of being tedious. An annual deficit has come to be accepted by many as a necessity without which recovery, if any, would be an uphill struggle.

NOVEMBER BALLOTING. Pre-election straws have been reassuring in the main but it is significant of a certain state of mind that post-election possibilities are a source of anxiety. There are pessimists who have watched the weather in Washington change from warm to cold and back to warm so often that they would not be surprised to see the same thing happen again.

GOOD WILL. The most careful and authoritative testings of public opinion recently have indicated beyond doubt that business is recovering much of its pre-depression good will. Assuming that this is true, it is the most important single factor in the development of a mild boom psychology. Only a complete restoration of public confidence in private enterprise can reverse the forces that have kept trade and industry on the anxious seat for six or eight years.

CROSS SECTION POLL. For the first time this year BANKING'S cross section index shows more businesses reporting improvement than there are reporting an unfavorable trend. In a poll of 2,500 bank directors and business leaders, representing every part of the country and all principal lines of activity, 33 per cent reported an upward trend, 37 per cent said that there was little change one way or another and 30 per cent stated that the direction was still down. The financial group made the best showing, followed by the industrial group with the agricultural responses showing up least favorably. The reports for the last six months can be summarized as follows:

	Up	Unchanged	Down
April	15	34	51
May	11	31	58
June	11	28	61
July	31	38	31
August	23	42	35
September	25	38	37

November 1938

LEGISLATIVE OUTLOOK. There is a widespread feeling on the part of business men that the next Congress will reflect a more conservative view. Wishful thinking or not, the hope will not down that new taxes will be shaped with more regard for the needs of business, that legislation affecting wages, hours and labor relations will be modified, and that there will be less politics in dealing with problems of unemployment, social security, relief and a host of other matters.

PEACE AND REARMAMENT. The fundamental strength of the recovery forces has been demonstrated by their resistance to the paralyzing effects of the war crisis. The economic consequences of the Munich peace are going to fill the center of the stage for some time to come. No one can be sure what they will be but no one can doubt their tremendous importance to business everywhere in the world, particularly international trade.

The various rearmament programs are unprecedented in magnitude and will affect principally aviation, shipbuilding, the automotive field, chemical industries and steel, and through these almost all other lines of business.

SEVERAL INDICATORS. Steel operations have passed the 50 per cent mark and are expected to reach a definitely profitable volume before the end of the year. The resumption of purchases by automobile makers is chiefly responsible for the rise. Motor car production in the fourth quarter will be the best for the current year. Building construction, private and public, is well ahead of 1937. Even the railroads are expecting a share of the good news, particularly in moving autumn's big crops. Retail trade has lagged, but with payrolls increasing and the Government's spend-machine picking up speed the retailers should not have long to wait.

HOUSING OUTLOOK BRIGHTEST. The building industry in all its departments and ramifications seems to be in an excellent position to profit by present circumstances. Conservative observers in this field who have not seen any reason for optimism in a decade or more have recently turned definitely to the view that conditions are right for a substantial increase in construction activity.

CREDIT UPTURN. A small increase of loans to industry, agriculture and commerce has provided encouragement. There was never so much bank credit available but until it is used there can be no genuine, natural recovery. Banks probably have been making more new loans in recent months than their net figures indicated. Merchants and manufacturers have been liquidating their stocks and paying off loans in a volume that exceeded new lines of credit.

NEW CAPITAL. Prospects of new financing are good compared with any time in the last few years. Recent issues have been eagerly purchased. Also some new money for the Government will probably be needed during the quarter because the spending program is just getting well under way.

INTERMEDIATE CREDIT. There is increasing pressure in some business circles and some departments of the Federal Government for the establishment of a system of intermediate credit banks for industry. Exactly what proportion of the agitation is from business and what proportion from politics would be difficult to establish. The most significant phase of the movement is an effort to obtain the support of the bankers of the country on the ground that unless they cooperate in the establishment of intermediate credit agencies the Government itself will enter the field.

WILLIAM R. KUHN



What's wrong with this picture?

The answer is—it happens too, too infrequently.

For here you see two old people on their own, independent—entertaining their children instead of being supported by them.

"Two old people who are lucky," many will say. But if their success is luck, it is the kind of luck that anyone with fifteen years of earning power left can have.

Yes, any man, *every* man with ten or fifteen years of earning power ahead of him can put the fear of destitute old age behind him—and his earnings need not be large. Even if he earns but a modest income *he can make a financial success of*

his life. An Investors Syndicate representative can demonstrate this to you.

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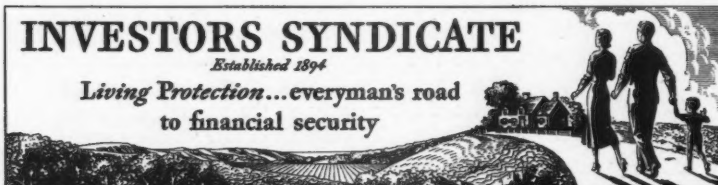
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This advertisement is typical in character of a series sponsored by Investors Syndicate and now appearing in national magazines.

Banks and the Treasury

Washington, D. C.

BANKING conditions in the United States continue to be dominated by the Treasury Department. At present deficit spending is much more of an influence than the tremendous influx of gold which attended the European crisis and, which in ordinary circumstances, would be the most powerful factor in the situation. The imports of gold have not been "sterilized" in the manner previously adopted by the Treasury to prevent an increase in bank deposits at a time when it was considered necessary to prevent inflation by selling Treasury bills for the purchase of incoming gold and thus drawing as much from the banks as the gold contributed in the way of increased deposits.

Instead the Treasury has bought recent gold imports and passed them into its general fund. The result is that at the beginning of October when the apex of the gold movement was apparently reached, the gold in the general fund amounted to over \$800,000,000. Approximately \$140,000,000 of this gold represents a balance of the "profit" from the devaluation of the dollar and is obligated to the Federal Reserve banks as against possible "working capital" industrial loans.

A \$660,000,000 CUSHION

THIS leaves upward of \$660,000,000 of free gold in the general fund with which the Treasury can meet any demands for gold from abroad. In other words, recent gold imports and possible exports in the near future will have no effect upon bank deposits. If possible exports of gold should exceed this cushion of \$660,000,000 the Treasury would be compelled to draw upon its bank funds for the purpose of providing the gold for the necessary exports. This would decrease bank deposits and, theoretically, tighten credit to that amount.

In actual practice the prospect is that deficit spending will increase bank deposits at a much more rapid rate than any possible gold exports will reduce them. Until new financing is undertaken the Treasury must meet the excess of its expenditures over income by drawing upon its balance in the general fund, and this excess naturally is registered by increased deposits in the banks which, in present circumstances, means a proportional increase in excess reserves. On October 5 excess reserves

were estimated by the Reserve Board as \$3,020,000,000 while Treasury deposits with the Reserve banks stood at \$770,000,000, —\$694,000,000 more than on the corresponding date last year and fully that much above normal. Thus there is prospect that excess reserves will soon be increased by about that amount.

THE DEFICIT

THIS increase, moreover, is likely to be very rapid when once it gets under way. At the end of the first quarter of the current fiscal year the deficit in the Treasury had reached only \$700,983,352. Since the estimated deficit for the year is \$3,984,000,000 it is evident that Government expenditures in the recovery program must increase rapidly in the near future.

The recovery program has been slow in getting started but it seems to be on its way. Only in the W.P.A. have expenditures run ahead of those of last year while outlays on public works, on which the Government counts heavily in its recovery program, are not even abreast of last year. By the beginning of the new calendar year, however, these outlays will be in full swing.

There is considerable evidence, moreover, that the estimated income of the Government will not be fully realized and that the estimate of the year's deficit will be more than realized when the final returns are in. All this will be reflected in increased bank deposits and unemployed bank funds, some of which later may be taken up by new Government financing.

GEORGE E. ANDERSON

Cyril B. Upham, special assistant to the Secretary of the Treasury, has been appointed First Deputy Comptroller of the Currency. (See page 154.)



HARRIS & EWING



ABOUT SMALL CHECKING ACCOUNTS

NO. 8 OF A SERIES

De Luxe presents these talks as a contribution to a subject of vital interest. We welcome questions, ideas and comments pertaining to the small account movement.

IN DISCUSSING the small checking account question recently with a good banker friend of ours, he said: "We probably won't encourage such accounts. Years ago we did it and it was a mistake. We found ourselves literally swamped with unprofitable accounts. Actually we created a 'free lunch' for hundreds of people and we don't want to make the same mistake again."

Was it a mistake? And if it was, shall we say that the mistake was in encouraging the opening of the accounts or in offering the "free lunch"? Can we even class that as a mistake? Perhaps conditions at that time justified what was done. We do know that the competition for the use of funds was keen because those funds could be readily sold at a good profit to the "buying group."

The motive behind the small checking account movement today is quite different from what it was in the 1920's. Now it is prompted by a desire to broaden the service of banking institutions so as to include as many people of good character as facilities will permit. The profit comes, not from the use of the funds, but from the service rendered.

Price lists for service undoubtedly will be made flexible enough to remain in harmony with interest rates and costs as they move up or down. Sensitive enough so that elapsed time of adjustment is reduced to a minimum.



HEADACHES IN THE HEADLINES

In bewildering succession the headlines flash news of monetary upheaval, undeclared wars, trade treaties, labor schisms, political strife, plans for relief, recovery and reform. Each day you must attempt to gauge the effect of these diverse developments on your bank's bond account. Each day you must try to hold a conservative course in an era when all the world's events seem to be conspiring to make your bank's investment decisions difficult.

Obviously, in bond markets subject to so many confusing influences, you can no longer follow the simple investment rules that served so well a decade ago. Today you must constantly scrutinize your past commitments in the light of each day's news. You must be alert to act realistically whenever the need for changes in your bank's bond account appears.

But merely to be well informed on what is happening here and abroad in business, finance and gov-

ernment is a full-time job today. To assemble and interpret all the news that affects each bond your bank owns, to make prompt and realistic decisions at a time when indecision and wishful thinking abound . . . that is more than a full-time job for any one man.

That is why, when your bank subscribes to Moody's Bank Supervisory Service, a group of mature investment specialists will be watching every factor affecting your portfolio. Literally keeping their eyes on the economic world, these men will be alert for weaknesses in old investments, constantly searching for attractive new investments. And to make this service practical, a Personal Counsellor will apply the findings of Moody's Staff to your specific requirements, helping you to achieve the most in income, liquidity and safety.

Your inquiry for complete information involves no obligation and will be held in confidence.

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JUST A MINUTE

Public Meetings

To the Editor:

Mr. Irwin carried his Wisconsin audiences and completed some fine educational work for us at our group meetings.

We reached about 10,000 people at these meetings, including about 1,500 bankers and their friends as delegates. As a public relations effort the combination of music and information was well received. Personally I was especially pleased to see the interest of the audience in Mr. Irwin's discussions. The enthusiastic response and applause of the audiences certainly showed that they liked him and appreciated his message.

A. R. GRUENWALD
Director of Public Relations
Wisconsin Bankers Association
Milwaukee, Wisconsin

William A. Irwin, Assistant Educational Director, American Institute of Banking, made a series of talks at public meetings in Wisconsin.

Bond Ledger

To the Editor:

Will you please advise if you know of a stationery supply house which stocks the bond ledger sheets like the one shown on page 27 in your September 1938 issue. Of course we could have any house make them up special but the cost would be prohibitive.

J. L. WEBB
Assistant Cashier
Bank of Williamstown
Williamstown, Kentucky

To the Editor:

In the September issue of *BANKING*, I was very much interested in your article regarding "A Tax Saving Bond Ledger", and the illustration therein of a page of the record.

I would be much pleased to know where we can find or purchase such a record, what it costs, and if it is a loose leaf or bound form or both.

I think you have found or originated, I do not know which, the best record to be had. Certainly I have not seen anything to equal it.

We shall very much appreciate any information you can give us, as we believe now that we would like to have such a record.

F. D. KELLEY, Cashier
Bank of Giles County
Pearisburg, Virginia

BANKING received a number of letters similar to the two above. The author of the article referred to, E. S. Woolley, states that, as far as he knows, the form of bond ledger which he designed has not been printed by anyone. He suggests that those interested might write to Watt and Gillogly, South La Salle Street, Chicago, or to one of the offices of Remington Rand, both of which concerns have, in the past, printed and sold forms which he has designed. Mr. Woolley says: "My only object in designing the form, of course, was to aid banks in keeping clearer records, which, in my work with

Below, the Bank of Pineville, Pineville, Missouri, which had a part in a moving picture depicting the life of Jesse James. With the addition of a wooden awning and board sidewalk, it represented the Farmers State Bank of Liberty in 1880, which figured in the career of the famous outlaw



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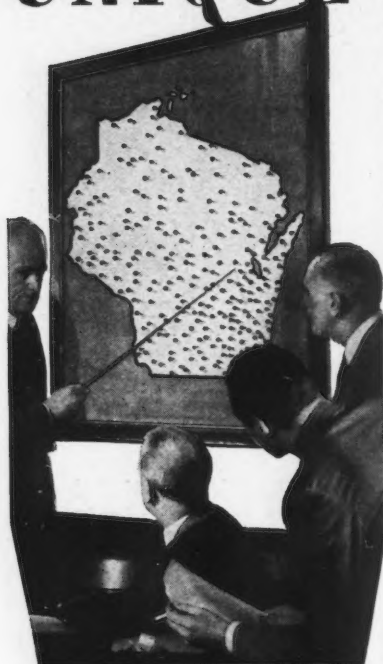
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them, I have found leave much to be desired in many instances."

Press Relations

ONE LARGE Eastern university, in an effort to maintain up-to-the-minute contact with the press, had its bureau of public information mail out a memorandum to all editors. The release gave the home address and telephone numbers of four members of the staff upon whom the editors could call for information on university stories after office hours.

Phonograph Record

TRUSTEES of the New York State Bankers Retirement System have produced a phonograph record designed to explain the system and its functions to bank directorates of the state. Numerous banks have used the record, which runs 10 minutes, at board meetings during the past few weeks.

Dormant Accounts

To the Editor:

Will you kindly send me tear sheets of any articles you may have published concerning unclaimed bank deposits?

Also, if you have any suggestions to offer which might assist me in the study I am making of this subject, I would appreciate having them.

CHARLES J. GEIS
84-47 118th Street
Richmond Hill, N. Y.

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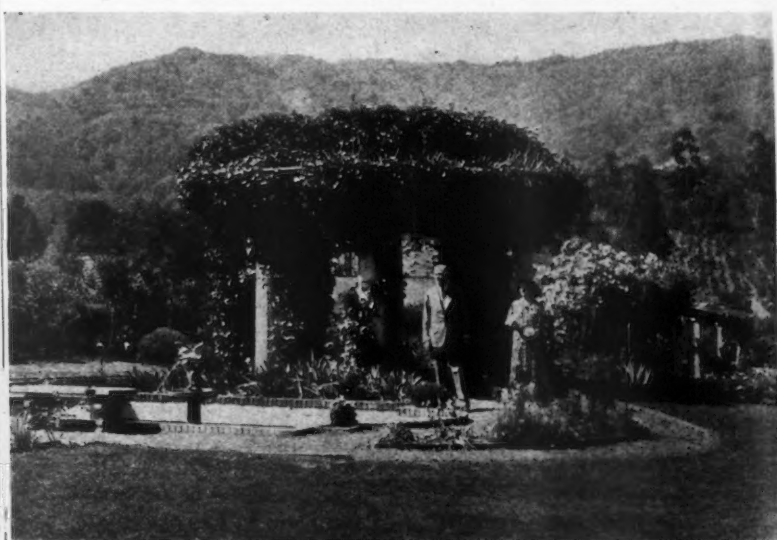
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Wall Street Journal. Wall street scene. August 18, 1938.

Mr. and Mrs. Fred N. Shepherd on the lawn of their home in California. Mr. Shepherd is a former Executive Manager of the American Bankers Association

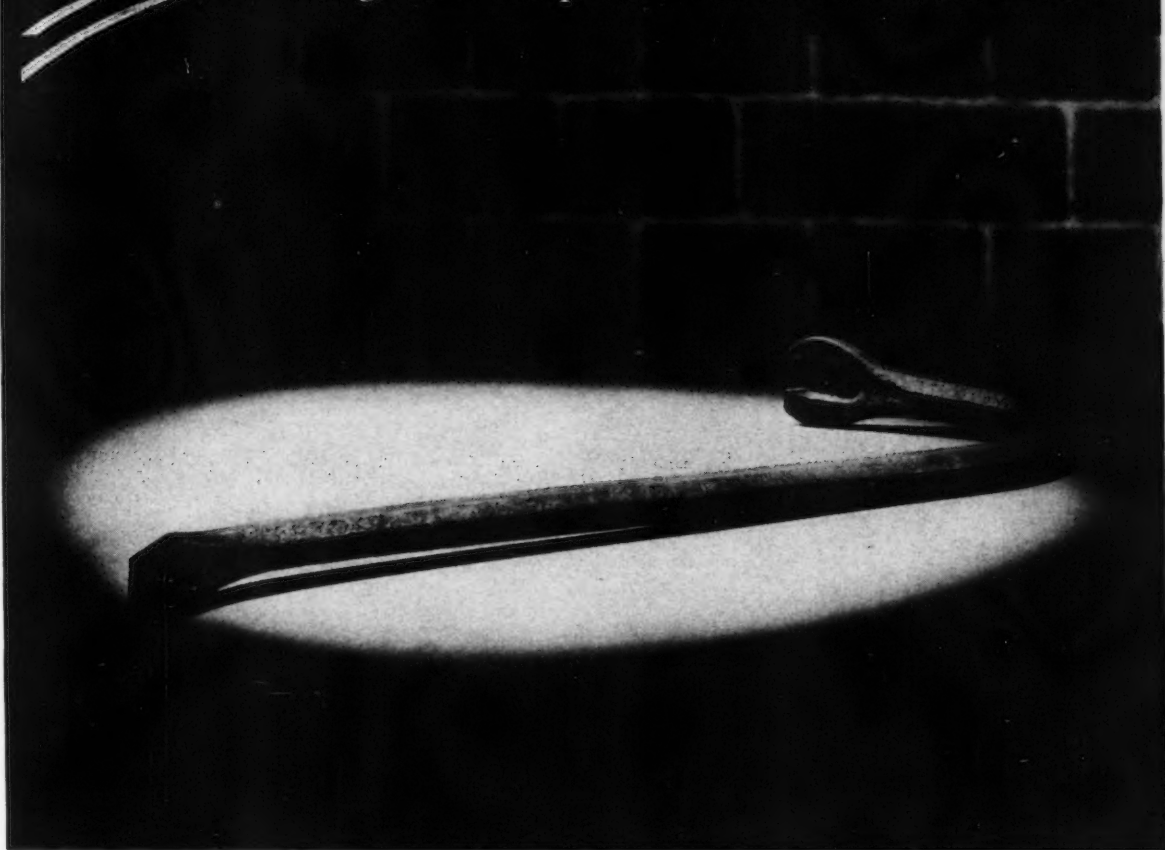


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"Unforeseen events . . .

need not
so often

change and shape the course of man's affairs"



MR. B. LEFT HIS CALLING CARD . . .

He also left a thoroughly ransacked home. But tomorrow morning a dismayed owner will miss some things the burglar did *not* leave behind—treasured family silver, a diamond ring, an expensive fur coat.

Statistics show that *your* home stands the chance of being burglarized *six times* for every time it catches fire! Yet many of us, who wouldn't think of being without fire insurance, seldom give a thought to protecting our home against a visit from the insidious "Mr. B."

It is quite natural.

Fires are "well advertised"—they are noisy, spectacular af-

fairs. Theft, on the other hand, is a stealthy, under-cover operation. The burglar works in silence, in darkness. Seldom is he caught in the act. Also, burglary is actually so common today that it must have an unusual "news twist" to be published in your newspaper!

In this, its fortieth anniversary year, The Maryland will reimburse thousands of policyholders for losses by burglary, hold-up both on and off the premises, and theft by servants, delivery men and solicitors. Burglary and robbery policies to protect your store, factory or office, too, can be obtained from any of the 10,000 Maryland agents.

THE MARYLAND

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SILLIMAN EVANS, Chairman of the Board

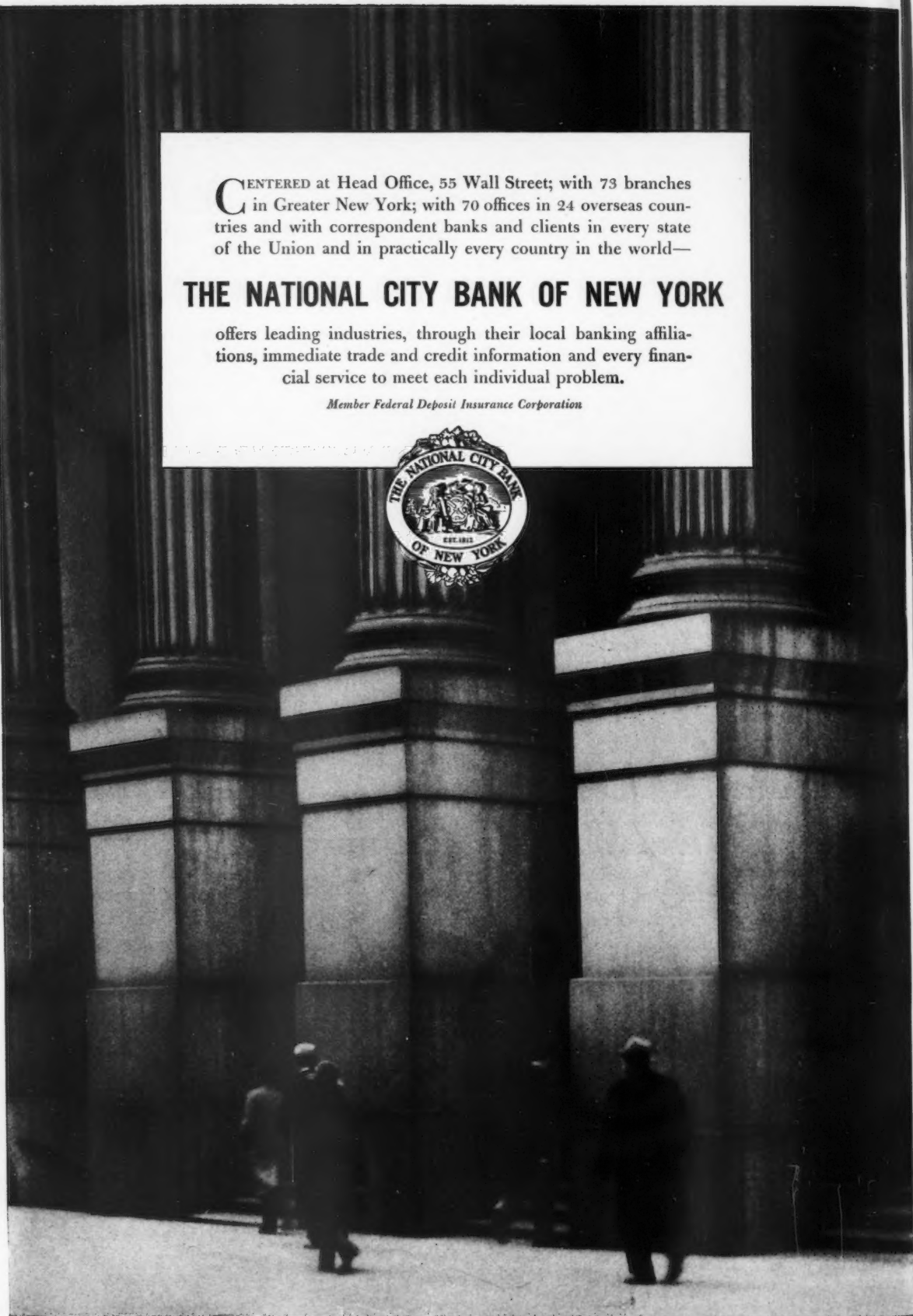
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Services That Banks Sell

Some of the many services which banks offer their customers are briefly outlined in the following columns, as reported for BANKING by BUREN H. McCORMICK.

"Capital" Loans

A NEW DEVELOPMENT in commercial banking in the past few years is the making of serial loans. This involves credit to large, well established businesses for periods up to five years and repayable in instalments.

This break with the tradition that nine to 12 months was about the maximum for business loans is largely accounted for by the demand for longer term bank funds as a result of strings tied around new security issues by the Securities Act of 1933. Barriers put in the way of new flotations of securities caused business to seek bank money—but for longer periods. The answer, worked out in the beginning by a few banks and followed by others, all in larger cities, is the extension of credit through serial loans—that is, loans with different maturities, perhaps semi-annually or annually.

Extension of credit for longer periods involves greater risks and therefore demands greater protection. Warehouse receipts for the borrower's inventory, mortgage on his plant and equipment, borrower's agreement to maintain a certain minimum amount of current assets above current liabilities, a minimum ratio of current assets to current liabilities, borrower's agreement not to mortgage or pledge any assets during the life of the loan—all these are suggested and used as added precautions in this type of loan.

Interest rates on all maturities of a serial loan may be the same but usually they are higher on the longer maturities, with average rates on best loans 3 per cent to 4 per cent.

Pay-as-You-Go Checking Accounts

PAY-AS-YOU-GO checking accounts provide a service designed to meet the needs of (1) those who have never enjoyed a checking account, and (2) those who, in the past 15 years or so, have given up checking accounts because of imposition of minimum balances or

service charges which they felt they could not afford.

Although not very widespread as yet, this relatively new adaptation of an old banking service has attracted much interest. It promises to grow, although the form may be changed from time to time.

The phrase "pay-as-you-go" accurately describes this new streamlined checking account service. The depositor pays in one of two ways: (1) so much per check—usually 10 cents—and no charge for deposits, or (2) so much—usually 5 cents—for each check drawn and each deposit. In some cases each item deposited is charged five cents. Object of the charge per check and per deposit, of course, is to put the cost of checking account service on a more equitable basis, with activity of the account determining the cost to the customer. Flat service charges fail to do this. Another system—and one which the Bank Management Commission of the American Bankers Association has recommended over the general pay-as-you-go plan—is a combination of a flat service charge of so much per month (to take care of maintenance costs) and an additional charge of so much per check drawn and item deposited (which would be large enough to include a profit for the bank).

Adoption of pay-as-you-go checking account service, or something similar, should open up a wider field for the banks. No minimum balance is required. "As little as \$1 opens a checking account" is a favorite slogan of such plans. Although 15 years ago service charges on checking accounts were fairly rare—they are far from generally in force even today—the average bank did not encourage the opening of small checking accounts. They are costly. Most operators of pay-as-you-go plans, however, actively seek accounts, for profitable operation of such plans depends in large part on sufficient volume.

Checks used in pay-as-you-go accounts are virtually identical with those in ordinary checking accounts, the slight difference lying in the account number on the check. Accounts are kept by numbers rather than by names, to simplify bookkeeping and handling of deposits.

Pay-as-you-go plans appear under various names. Some of them are copyrighted and the owners require a fee which generally includes supplies used in setting up such a service. Many banks

have set up their own plans, not using copyrighted ones.

Since this type checking service is designed to attract people who have never used checking accounts, newspaper advertising is used. Lobby displays have also been found helpful to attract such people as savings depositors. Word-of-mouth endorsement by those who have opened accounts has proved helpful. Some banks solicit friends of persons who have opened accounts.

Personal Loans

PRACTICALLY every commercial bank has made some sort of personal loans for years. But only in recent times have banks considered such loans as a distinct field of commercial banking activity—and one which might be profitable. Personal loans today mean loans made usually on a discount basis, largely for 12 to 18 months, and repayable in instalments.

Two important factors have been instrumental in encouraging banks to get into this field of lending:

1. Success of the instalment finance companies, even through the depression period.

2. Possession of large idle funds with interest rates low and supply of earning assets running well behind demand.

This type of loan is aimed directly at helping the "little fellow" obtain bank credit. Such loans are for an extremely wide variety of purposes: automobiles, refrigerators, furniture, and all kinds of household equipment are only a few among the many things financed by this type of loan. Money may be borrowed to take care of funeral expenses or the doctor's and dentist's bills.

The most common maturity of such loans is 12 months. The average rate charged is 5 per cent to 6 per cent. Since this is generally on a discount basis and since the money is paid back in most cases in equal monthly instalments, the actual interest return to the lender is roughly twice the amount of the rate quoted.

In response to an A.B.A. survey earlier this year, banks in the personal loan field included the following among "new practices" employed in handling this credit: "Use of machine bookkeeping for payment records. . . . Insuring life of borrower for a flat charge of 1 per

cent of face of note. . . . Obtaining signature of co-maker on application for loan. . . . Sending letters of appreciation to makers and co-makers on satisfactory pay-outs. . . . Use of coupons for making payments. . . . Preferential interest rate to employees of well established industries. . . . Immediate follow up on delinquencies. . . . Placing a charge on applications for loans. . . . Condensing personal loan forms for minimum use of stationery."

Some indication of earning possibilities of the personal loan field can be

seen in the following statistics from the above-quoted survey: Of 62 banks which gave their net returns from this business in a percentage figure 51 had net earnings 4 per cent or higher.

Personal loan practices vary widely. Some banks make advances on unsecured one-name paper, others demand two names, still others require security. Many small loans to small business men are made on the basis of the personal loan plan.

Profit in the personal loan field depends largely on volume.

Common Trust Funds

AN OUTSTANDING recent development in the personal trust field is progress toward greater use of the "common trust fund". Two highlights in this work were the handing down, in late 1937, of regulations by the Federal Reserve Board by which common trust funds must be run if they are to avoid being taxed by the Federal Government as a single corporation. To complement these Federal Reserve Board regulations, the New York State legislature later in 1937 passed a law permitting establishment of common trust funds and the state banking board early this year set up rules by which common trust funds must be run under the state law.

Passage of a common trust fund law by Kentucky this year brought to eight the number of states to pass such legislation.

The common trust fund idea is aimed at helping "the little fellow". Federal Reserve Board regulations limit the amount of any one trust which is placed in a common fund to \$25,000. Conversely, the common trust fund idea gives banks an opportunity to handle small, unprofitable trusts in what might be a profitable or at least a less unprofitable manner. There is some disagreement among leaders in the personal trust field as to whether or not this device will save the banks sufficient money to make it worth while. A recent survey of



NORTH

It may carry the salty twang of New England or the soft accents of the South.

It may be swift and crisp in the New York manner or full of the pleasant rolling r's in the style of the West.

But wherever you hear it, it will be friendly, courteous, and efficient.

It's the all-American voice of the Bell Telephone operator—"The Voice with a Smile."

The entire Bell System seeks to serve you quickly, capably and in the spirit of a friend.

BELL TELEPHONE SYSTEM



THE VOICE WITH A Smile



SOUTH



EAST



WEST

BANKING SERVICE—1845



T. F. HEALY

BANKING

all banks in the country operating common trust funds, made by a research group of the New York chapter of the American Institute of Banking, led to the conclusion that such funds are helpful and do provide a saving to the banks.

The New York State common trust fund law, which is regarded as a model, seeks in several ways to avoid pitfalls into which common trust funds in the past have fallen either through unwise or unethical management. Common trust funds under this law can be invested only in securities from the "legal list". The funds must be valued at fairly regular intervals and evaluation procedure is prescribed by the banking board. New participations in common trust funds can be made only on valuation dates. No more than 10 per cent of the investments of a common trust fund shall be in the obligations of any one person, firm or corporation. Any investment held by a common fund which is no longer eligible as a new investment must be placed in a liquidating account and not be included in the valuation of the fund for the purpose of accepting new accounts. In other words, those investments removed from the "legal list" must likewise be removed from common trust funds.

Progress toward more extensive use of common trust funds in this country is sure to be slow. But with the size of estates gradually being chopped down through high taxes it appears that trust companies will give more and more consideration to this device in the future.

Insurance Premium Financing

BANKS have long made loans to insurance agents to help finance premiums of their policy holders. Today, however, this practice of helping the man in the street, directly or indirectly, to finance his purchase of insurance protection is being modernized.

The idea, briefly, is this: Suppose John Doe wishes to take out a fire or casualty policy the five-year premium on which would be \$400, whereas the premium on an annual basis would be \$100. Obviously Mr. Doe could save himself some money by taking the five-year policy. But he doesn't have the cash on hand. So he goes to the bank and, let us say, borrows \$400 for one year at a 6 per cent rate. By the end of the 12 months our Mr. Doe, in this

BACK of every kind of public service is an unseen organization, efficient, essential, yet generally unrecognized.

Back of the friendly smile at the teller's window is the grim business of handling the daily grist of cash and collections.

Back of the service you render your depositors are the facilities of this bank available to them through you. It is our concern, as it is that of your teller, that your customers shall be well served.

... THE ...

PHILADELPHIA NATIONAL BANK

ORGANIZED 1893

PHILADELPHIA, PA.

Capital, Surplus and Undivided Profits

\$39,000,000

Member of Federal Deposit Insurance Corporation

BANK LOANS *strengthened* by Factoring Service

EXISTING conditions, under which it is more necessary for banks to maintain liquid and stable portfolios, have made Banker and Factor increasingly close allies. The Factor's basic services—investigation of credits and absorption of credit losses—not only strengthen the client with his suppliers, but enable the Banker to extend a more liberal line with safety, and with the knowledge that it can be liquidated at reasonable intervals.

A booklet—"Strengthening Bank Loans" on request

James Talcott, Inc.

1854 ★ *Factors* ★ 1938

225 FOURTH AVENUE, NEW YORK CITY

BOSTON LOS ANGELES MONTREAL LONDON

BANK CASHIERS

How safe is your capital account? Will a *further slump in bonds* leave your deposits unprotected? Where are bonds headed?

We have prepared a report discussing railroad, utility, industrial, short and long term, low coupon, and convertible bonds.

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Please send, without cost or obligation, your current report on the bond outlook.

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Address.....

purely hypothetical case, would have paid to the bank about \$436 and would have saved himself around \$64 on the transaction.

At least one system that is offered for sale to banks in connection with insurance premium financing provides a certified list of fire and casualty companies which agree to cooperate with banks in financing premiums. As a part of this agreement those borrowing money sign a statement saying that if they fail to meet an instalment on their loan it shall be within the province of the bank to notify the insurance company to cancel the policy. It is also agreed that any premium due to be returned to the insured shall go to the bank instead.

Insurance agents approve of this type of financing because it removes from their shoulders the problem of providing the credit. Being on the ground, as it were, and close to the local picture, banks are more convenient to the insurance agent for this kind of work than are the finance companies which are engaged in such financing. Banks can develop this kind of loan by contacting depositors, the general public and insurance agents.

F.H.A. Loans

FEDERAL HOUSING ADMINISTRATION loans were given new impetus early this year when the revised housing law became effective. The new law gave the borrower a break in two ways: (1) by reducing the amount of his down payment, and (2) by decreasing the interest he has to pay.

Briefly, the change is as follows. Un-

der the old F.H.A. law the borrower, or mortgagor, paid 5 per cent on the mortgage, plus $\frac{1}{2}$ of 1 per cent to the mortgagee for servicing the mortgage. Both of these interest rates were figured on the face amount of the mortgage. In addition, the borrower paid $\frac{1}{2}$ of 1 per cent on the original amount of the mortgage—straight through to the retirement of the mortgage—to the F.H.A. as an insurance charge. Total interest cost—6 per cent plus.

Under the new law the rate remains at 5 per cent but there is no service charge. Furthermore, the insurance charge, although still $\frac{1}{2}$ of 1 per cent, is now based on the face amount of the mortgage. Total cost—5 $\frac{1}{2}$ per cent.

Banks can participate three ways in Title II F.H.A. loans—those for new construction. They can make such loans directly, keeping them in their portfolios and benefiting from the full 5 per cent rate which now includes servicing. They can make such loans and sell the mortgages at, say, 4 $\frac{1}{2}$ per cent, thus retaining $\frac{1}{2}$ of 1 per cent for servicing the mortgages. Or, three, they can buy such mortgages from others.

Title I—or modernization—loans carry a 5 per cent discount rate and with repayments monthly this makes an actual interest rate of around 10 per cent.

It has been found desirable by those banks actually making and servicing F.H.A. loans to build up a substantial volume if such business is to be profitable. Profit in servicing operations—that is, collecting of the monthly payments and disbursement of such payments to the holder of the mortgage, the insurance company, the tax collector and the F.H.A.—depends on volume.

The field for mortgages, of course, is

BANKING SERVICE—1865



T. F. HEAL

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ANKING

November 1938

13

A METHOD DESIGNED TO IMPROVE YOUR SERVICE



To speed up your service to clients . . . to aid you in making fast and dependable investment analyses . . . to assure maximum information in minimum time—these are some of the advantages of punched card accounting. By this method, officers and other executives are provided with *Account Analyses*, *Lists of Security Holders*, *Anticipated Income Schedules*, *Tax Accounting Reports*, and other cash or property schedules containing all or any part of the minute account and security information in the records. *All necessary entries are made from one recording of a transaction.* Automatic machine action speeds up routine work, allowing more time for service to customers.

*An ever-increasing number of banks
are using punched-card accounting*

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Branch Offices
In Principal Cities of the World

Bank of America's 495th branch is located on Treasure Island...



Scale Model of Treasure
Island Branch—45'x 115'

...site of the Golden Gate International Exposition San Francisco, 1939

BANK OF AMERICA has many friends in the American Bankers Association whom it would enjoy greeting once more in California. Then, too, Bank of America would naturally like to have you see the great Golden Gate International Exposition which has been prepared upon one of the most amazing sites ever developed—an artificial island in the center of San Francisco Bay. And we would like to have you and your customers make use of Bank of America's 495th branch especially built to serve the millions of men and women who will come to Treasure Island from all corners of the world.

Bank of America

NATIONAL TRUST SAVINGS ASSOCIATION

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

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MAIN OFFICES:

SAN FRANCISCO . . . No. 1 POWELL STREET

LOS ANGELES . . . 660 SOUTH SPRING STREET

limited only by new construction. Cooperation with builders is desirable if much of this business is to be obtained. In heavily populated areas mortgage brokers are helpful.

How are the mortgages sold? There are brokers in this field. Moreover, banks with a surplus of F.H.A. mortgages often sell directly to insurance companies and other banks which have not entered the field but wish to invest in these mortgages, which are guaranteed by the Government. There is no legal limit as to the amount of F.H.A. mortgages which a bank may hold. Furthermore, a new market place for F.H.A. mortgages was created by the new law in the provision for establishment of national mortgage authorities. They will buy the mortgages at $4\frac{1}{4}$ per cent, but some banks object to selling them to the authority because the authority has the right to revoke the servicing arrangement after five years.

On loans under a certain amount the F.H.A. insists on three inspections of a house as it is being built: once in its very early stages, a second time when the building is enclosed and, third, when it is finished. Such inspections help borrowers guard against faulty construction.

The prime virtue of F.H.A. mortgages is the amortization feature. Under this plan borrowers are not permitted to borrow "beyond their means," paying only interest and ending up 20 years later with a mortgage of the original amount. Moreover, mortgagors are limited to loans, the monthly payment on which is no more than one week's salary. Careful credit checks are made by the F.H.A.

Farm Equipment Loans

BANKS ARE PARTICIPATING more and more in the mechanization of the farm. That is, they are gradually giving greater cooperation to the farmer in helping him purchase new and up-to-date equipment.

When the farmer decides to buy some new piece of machinery, the bank can be of help to him by extending credit in one of two chief ways. First, the bank may lend to the farmer directly. Second, the bank may buy the farmer's note from the equipment dealer.

Different practices in farm equipment loans prevail in different sections of the country and in different banks. Some of those institutions lending di-

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for PASS BOOKS, too"**



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For Bankers realize that Pass Books are valuable and should be fully protected against fraudulent alterations.

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Papers have been used in this way by other Banks. You will find him competent and helpful. And he will gladly assist you in developing for your institution an individual Trade-Mark design incorporated in the paper itself—a La Monte feature which affords the utmost in safety and distinction.

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foreign made automotive vehicles.

The business consists of investments in self-liquidating credits, widely diversified as to region and enterprise, capital employed being in excess of \$80,000,000.

In obtaining short term accommodation, GMAC issues one standard form of note. This obligation it offers to banks and institutions, in convenient maturities and denominations at current discount rates.



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RAIL MAIL- Within 500 Miles**

The Omaha National Bank is ideally located to provide unusually quick service on your collection and transit items.

Favorable evening departures of air and rail mail give overnight delivery to east and west coasts, as well as points on our northern and southern borders.

By virtue of these advantages The Omaha National Bank has developed speed and efficiency in handling items for correspondents. Your inquiries are invited.

The Omaha National Bank

Member Federal Deposit Insurance Corporation

rectly to farmers have some requirement such as this: (1) a down payment of 40 per cent; (2) another payment of 30 per cent of the purchase price from proceeds of the crops in the year in which the equipment is purchased; and (3) payment of the final 30 per cent in the following year.

Some banks buy most of their farm paper from equipment dealers without recourse to these dealers. Others, however, insist on being able to recover at least part of the loan from the dealer if the farmer fails to make good.

Some farm equipment manufacturers urge dealers to work through banks. Bankers and dealers confer before the sale. This helps the dealer since it gives him the benefit in many cases of the credit advice of the banker. Banks in a number of communities—and this practice is apparently becoming more widespread—are working with farmers to help the latter operate their land on a more businesslike basis and to provide accurate financial statements to facilitate determination of credit advances.

Savings Bank Life Insurance

SAVINGS BANK LIFE INSURANCE is not a new bank service. It took a step forward this year, however, with the passage in New York State of a law permitting savings banks to offer life insurance, beginning January 1, 1939. Action in other states toward consideration of similar laws may be expected, with those individuals who helped put through the New York law and who are particularly enthusiastic about this phase of banking service pushing such activity.

The New York savings bank life insurance law differs in one important respect from the law in Massachusetts, which has been in effect for 30 years. In New York State an individual will be permitted to buy only \$3,000 total of savings bank life insurance—three policies of \$1,000 each from three banks. In Massachusetts the total of such insurance is limited only by the number of banks participating in the plan—now 24. Thus one person may get \$24,000 of such insurance there.

The New York plan, therefore, would seem to come closer to meeting the aims of such insurance, that is, provision of insurance at lower rates to the buyers of industrial insurance. Opponents, however, say that it fails to provide for

(CONTINUED ON PAGE 18)

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CONVENTION

Be sure to visit our booth (No. 26) at the November Convention of the American Bankers' Association at Houston, Texas. We'll be glad to see you. The many years of experience behind the name YORK is your safeguard in selecting bank vault equipment. Many of the largest and most elaborate installations in this country and abroad are evidence of the reliability of York Vaults and York Service.

Inspection and Guaranty Service

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*Manufacturers and Builders
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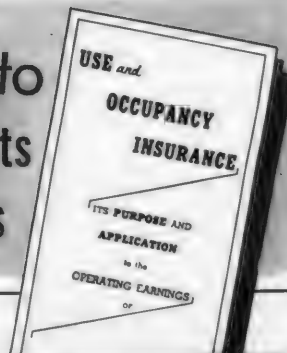
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★ Now Available to
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A timely folder outlining

USE and OCCUPANCY INSURANCE

ITS PURPOSE AND APPLICATION TO BUSINESS EARNINGS



**INSURANCE
OF BUSINESS
EARNINGS IS
• VITAL •**

CLEARLY, concisely and in layman's language, this folder describes the intent and operation of this insurance necessity and includes a simplified worksheet for the development of values to be safeguarded when insuring business earnings.

★ Copies may be obtained without obligation by addressing this Company, your own agent, or any Insurance Broker.



★ Inquiries regarding Use and Occupancy Insurance are invited and will receive prompt and, if desired, personal attention.

FIRE ASSOCIATION OF PHILADELPHIA

(Established 1817)

Affiliated Companies:

LUMBERMEN'S INSURANCE COMPANY
THE RELIANCE INSURANCE COMPANY
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OLD LINE STOCK FIRE, MARINE AND AUTOMOBILE INSURANCE

"fifty-one thousand pages of testimony...forty cents for repairs!"

Civil District Court

For the Parish of Orleans
New Orleans, La.

New Orleans, La.
March 3rd, 1938

L C Smith & Corona Typewriters Co
Syracuse, New York

Gentlemen:

On December 30th, 1927 I purchased from your New Orleans Branch, L C Smith #8-10 -753,721, which machine has been in continuous use daily in transcribing testimony and court reporting work and during the ten years that this machine has been used I have written approximately Fifty one thousand pages of testimony ranging from two to eight carbon copies per page, without this machine ever having been out of use for any repairs.

During these ten years I have only spent forty cents for repairs and that was to replace a paper finger which I broke in screwing the machine to a desk and not from any defect of the machine, which is still in use and giving me excellent service.

Having seen your recent advertisement pertaining to court reporters using the L C Smith, I thought you might be interested in the history of my machine and my experience with it.

You have my permission to use my letter of March 3rd, 1938, addressed to you, in your advertising in any way you see fit.

Yours very truly.

John J. Sheehan
JOHN J. SHEEHAN
Official Reporter Division "A"

Ask for demonstration of
the sensational new

Super-Speed
LC SMITH

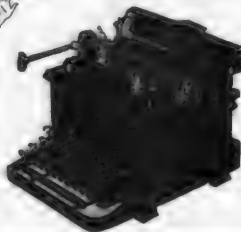
L C SMITH & CORONA TYPEWRITERS INC
SYRACUSE, NEW YORK



For personal typing, try the sensational new CORONA portables
... the "Speedline" and the "Zephyr".



"LOVE AT
FIRST SIGHT"



(CONTINUED FROM PAGE 16)

those industrial insurance buyers who carry policies of just a few hundred dollars because such buyers have to be sold insurance. Savings banks under the Massachusetts and New York plans do not "sell" insurance; they merely offer it.

Savings bank life insurance is substantially cheaper than other life insurance because there is no sales and collection force to maintain.

Making Deposits Easier

FOR THREE DECADES OR SO "banking by mail" has been a part of the country's banking service. A more recent development, also aimed at making it easier for the individual to deposit money with his bank, is the "deposit slot" idea. Having been used for a number of years, this service has undergone several refinements. Attractively designed slots are placed in convenient locations on the banking floors or at the very entrances of the banks. Newspaper advertising explains to would-be users of this service—which may be referred to as "deposit drop", "instantaneous teller", or any one of a number of similar names—just how to deposit funds under this scheme. Special envelopes with deposit slips are used.

The night depositary, fairly widely

BANKING SERVICE—1895



T. P. HALL

BANKING

used, is a part of the deposit slot system.

In keeping with this general trend to make it easier for the individual to deposit money, one bank, at least, has established an automobile deposit division, arranging its quarters so that autos may drive into the building, pass a teller's cage, and proceed back to the street. A variation of this idea is establishment of tellers' cages in side windows of banks which face on an alley as well as a street.

Newest wrinkle in speeding up deposits is the "photographic teller". This machine is placed in the lobby of the bank and is for use largely in rush periods. The depositor drops into a slot in this machine his deposit slip and his checks—one at a time. Currency cannot be deposited. A camera photographs the deposits, thus keeping a record both for the bank and for the depositor.

All these things aimed at making deposits easier and faster are service improvements with which the depositor comes into contact. All in all, however, they are used by a relatively small number of the depositors. Progress toward helping all depositors is along two general lines: (1) production of greater efficiency in machines used in this phase of the bank's work, and (2) the use of a greater number of people in handling a deposit transaction.

Oil Loans

A SCORE OF YEARS AGO the extension of strictly commercial bank credit to a company engaged solely in bringing oil out of the ground would have been frowned upon as a far too risky proposition. Production of "black gold" was a distinctly and predominantly speculative business proposition in those days.

In the past score years, however, and particularly in the past few years, production of oil has progressed substantially, to a point where commercial bank credit can—and does—participate in its development. Three chief factors are pointed to as responsible for having made oil a bankable commodity. They are: (1) controlled production, brought about by interstate as well as intrastate agreements among producers which make it possible for the supply of oil to be keyed to demand, thus leading to stable prices; (2) scientific achievements in determining in advance underground resources, making it possible to provide reliable estimates on the value of oil properties; and (3) steadily increasing consumption of oil products.

\$100 Worth of Insurance, please . . ."

THAT'S the way thousands of men buy insurance. Sounds simple, doesn't it? But insurance against what? How will it be paid?

There is one man who reads insurance policies with interest and understanding. He is the experienced insurance agent. He knows exactly what he is buying for you. Insurance against what—and when and how it will be paid. And when a loss occurs, he is your representative.

Insurance that minimizes the agent's function may lessen your protection, your service. Insurance is dollar protection. There are no cut-rate dollars for sale.

Let an experienced agent take a look at your business from an insurance point of view. Like a check-up by your family doctor, it can do no harm—may save your business life.

NATIONAL SURETY CORPORATION

VINCENT CULLEN, President

BANKING SERVICE

in
**CANADA,
LATIN AMERICA
and OVERSEAS**



Resources exceed
\$860,000,000

Prompt, effective foreign banking service through an extensive branch system in the Dominion and twenty-nine other countries.

Over 600 branches in Canada and Newfoundland, 72 in Cuba, Puerto Rico, British and French West Indies, Central and South America; branches also in London and Paris.

Enquiries invited

THE ROYAL BANK OF CANADA

Head Office, Montreal, Canada
New York Agency, 68 William St.



**NATIONAL UNION
FIRE INSURANCE
COMPANY**

PITTSBURGH, PA.

**THIRTY-SEVEN YEARS
OF
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FOUNT-O-INK *Writing* SETS

**WILL MOVE
THE LINE
FASTER**



AMAZING NEW PRINCIPLE
APPROVED BY BANKS AND U. S. OFFICES

For Information Write

**Gregory
FOUNT-O-INK CO.**
2652 Pasadena Ave., Los Angeles, Calif.

Controlled production through proration has of itself created need for bank credit on the part of the oil industry, since it lengthens the time in which the oil company can hope to get back money invested in oil producing lands.

Banks extending credit to the oil producers generally desire to have the loans secured, with margin adequate. They avoid inexperienced oil men. It is desirable that all oil collateral be checked by a competent independent petroleum engineer.

Although oil loan terms vary, a one-year maturity with monthly repayments is a common form.

Safe Deposit Boxes

PROGRESS in providing greater service in the field of safe deposit boxes has generally proceeded along two lines: (1) greater safety and (2) greater convenience.

Improvements in safety have been provided in line with the forward strides recorded in locks and safes generally.

One manner in which banks have made safe deposits more convenient is that of providing boxes of widely varying sizes to fit all needs. Whereas some years back many of the boxes were only an inch deep and therefore provided little space for even the valuables of a family of modest means, today many of the banks have two or three inch deep boxes as their minimum size. The very large banks, moreover, provide safe deposit boxes from the 3-inch variety up to a suite of safes in a separately enclosed room that contains work space in which the owner can check his valuables.

The larger banks also have made available efficient and comfortable quarters in which the individual may inspect his securities. These are small private rooms. There are also rooms large enough to accommodate the entire board of directors of a company if they wish jointly to check contents of the company's box.

Travel Services

KEEPING PACE with the rapid forward strides in transportation, banks have forged ahead in the travel services they provide. Some of the larger banking institutions have their own travel services but the rank and file makes available to its customers the travel services of such well known organizations as the American Express Co.

Travel service is a natural outgrowth of bank operations: Travel necessitates transfer of funds, a banking problem. In helping the traveler to move his money about, in this country and between countries, it is only natural that the traveler should learn to call on the bank for additional services in connection with his wanderings.

The result of all this is that Jim Smith can go into his own bank at Fork Roads, Iowa, and arrange for a trip to the farthest reaches of the world. The train trip to New York, boat trip to Europe, transportation across Europe and Asia, boat back to the Pacific Coast and train back to Iowa will all be cared for. So will all the hotels and sidetrips, the transfer of funds, his mail and practically everything else. But if Jim Smith prefers to "see America first" the bank can also arrange any sort of tour he wants in the United States, with transportation, hotels, etc., arranged. If Jim doesn't have in mind any special trip—merely wants to go somewhere—he can obtain a list of fully arranged tours, both at home and abroad, from which to choose one that appeals to him. Dates, times, and all details, including cost, are clearly explained.

About all the traveler has to worry about on some of the tours made available through the banks are his cigarettes and tips—and an occasional lunch. On some conducted tours even the tips are included.

The advantage of such service in touring abroad is doubly emphasized to the

BANKING SERVICE—1905



COLVER SERVICE

Guaranty Trust Company of New York

FIFTH AVE. OFFICE
Fifth Ave. at 44th St.

MAIN OFFICE
140 Broadway

MADISON AVE. OFFICE
Madison Ave. at 60th St.

LONDON PARIS BRUSSELS LIVERPOOL HAVRE ANTWERP

Condensed Statement, September 30, 1938

RESOURCES

Cash on Hand, in Federal Reserve Bank, and	
Due from Banks and Bankers	\$ 700,989,773.31
Bullion Abroad and in Transit	29,187.00
U. S. Government Obligations	538,502,059.88
Public Securities	54,049,306.82
Stock of the Federal Reserve Bank	7,800,000.00
Other Securities	18,283,727.39
Loans and Bills Purchased	514,134,594.37
Credits Granted on Acceptances	19,248,615.66
Bank Buildings	12,272,538.61
Other Real Estate	682,944.16
Real Estate Bonds and Mortgages	1,911,117.98
Accrued Interest and Accounts Receivable	30,890,879.80
	\$1,898,794,744.98

LIABILITIES

Capital	\$ 90,000,000.00
Surplus Fund	170,000,000.00
Undivided Profits	12,041,182.65
	\$ 272,041,182.65
Dividend Payable October 1, 1938	2,700,000.00
Miscellaneous Accounts Payable, Accrued Interest, Taxes, etc.	19,988,037.44
Items in Transit with Foreign Branches	2,106,123.99
Acceptances	\$ 36,871,247.06
Less: Own Acceptances	
Held for Investment	17,622,631.40
	19,248,615.66
Liability as Endorser on Acceptances and Foreign Bills.	9,246,498.00
Agreements to Repurchase Securities Sold	323,220.00
Deposits	\$1,535,019,694.53
Outstanding Checks	38,121,372.71
	1,573,141,067.24
	\$1,898,794,744.98

Securities carried at \$13,278,573.07 in the above Statement are pledged to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes.

WILLIAM C. POTTER, Chairman W. PALEN CONWAY, President
EUGENE W. STETSON, Vice-President

DIRECTORS

GEORGE G. ALLEN	Director, British-American Tobacco Company, Limited, and President, Duke Power Company	JOHN A. HARTFORD	President, The Great Atlantic & Pacific Tea Company
W. PALEN CONWAY	President	DAVID F. HOUSTON	President, The Mutual Life Insurance Company of New York
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LEWIS GAWTRY	President, The Bank for Savings in the City of New York	WILLIAM C. POTTER	Chairman of the Board
ROBERT W. GOELET	Real Estate	GEORGE E. ROOSEVELT	of Roosevelt & Son
PHILIP G. GOSSLER	Chairman of the Board, Columbia Gas & Electric Corporation	EUGENE W. STETSON	Vice-President
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W. A. HARRIMAN	of Brown Brothers Harriman & Co.	GEORGE WHITNEY	of J. P. Morgan & Co.
		L. EDMUND ZACHER	President, The Travelers Insurance Company

(Member Federal Deposit Insurance Corporation)

THE HARTFORD HAS PAID LOSSES IN FULL



During 128 years the Hartford Fire Insurance Company has made good the losses of its policy holders. Calamities, conflagrations and business depressions have sternly proved the Company's ability and willingness to meet all its obligations.

Meeting the test of time and disaster has strengthened the Hartford and built it into a

national organization for your protection, with agents in the cities, towns and villages of all the States and the Provinces of Canada.

Insure your property in the Hartford. Telephone Western Union or Canadian National Telegraphs for the name and address of the nearest agent or write to the Hartford Fire Insurance Company.

Hartford Fire Insurance Company

—and the Hartford Accident and Indemnity Company write practically every form of insurance except life

HARTFORD, CONNECTICUT

ordinary individual unfamiliar with the language. Offices of the larger banks abroad and of the travel services with which the smaller banks have connections provide a link with the homeland and someone to answer all the questions—in English.

Correspondent Services

IN ADDITION to providing a wide variety of services for the individual and corporate customers which they serve, banks in this country have a long list of services which they provide for other banks. All this is known, of course, as the correspondent system of American banking.

Although on first glance it would seem that chief beneficiaries of this system are small country banks, a closer view makes it evident that the big city institutions are helped, too. Although it is the smaller banks that receive most of the service, they pay for it either with deposits maintained at the city banks or by actual fees. In turn, the country banks provide some services for the larger institutions.

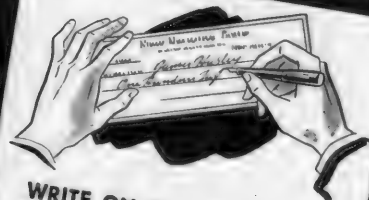
What are some of these services which the large correspondents provide? Interpretation of banking laws, explanation of tax problems, explanations of financial statements, information on political moves, discussions of business trends, new ideas for loans, methods of handling transit items, safeguarding bonds and handling transfers, explanation of service charges and cost analysis, help in preparing reports to the Government—these are a few.

Or the large city institution may give the country bank a hand on more routine matters, such as new type records and filing systems, the latest in other bank equipment, employee training methods. It might even help the smaller bank to obtain experienced employees. Or, along a different line, it might help the small town banker contact leaders in certain industries or explain sources of commercial paper. It might even help him find outlets for manufacturers in his home town which are good customers of his bank.

One of the foremost services of large city correspondents to the country banks today, however, is that of providing investment information. The large banks, having been forced to build up substantial staffs to study investment problems—now that investments are playing such an important part in

You make these tests— WE'LL SEND THE PAPER

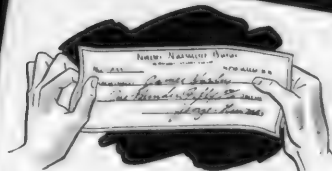
**GET FREE SAMPLE
KIT—SEE WHY IT
PAYS 3 WAYS TO
GIVE DEPOSITORS
CHECKS ON
HAMMERMILL
SAFETY**



WRITE ON IT . . . Hammermill Safety takes writing easily by hand or machine. Pen doesn't scratch. Ink doesn't blur. Typing is clear and legible. Hammermill Safety shows immediately any chemical or mechanical alteration. Simplifies the job of your paying tellers each day.



COMPARE ITS APPEARANCE
Customers recognize the distinctive chain-line design as the mark of quality in "money value" paper. You will find it the ideal background for the design of your bank. Hammermill Safety prints sharp and clean by both letterpress and offset.



HANDLE IT . . . Hammermill Safety is sturdy paper, made to stand abuse. It folds without splitting or cracking. Does not cut through on typewriter or check-writing machine. Its smooth finish and uniform bulk speed up the work of sorting and handling.

AFTER THESE TESTS, read the surface mark Hammermill Safety. Here is a "plus" no other safety paper can give you—the national reputation and prestige of the Hammermill name, best known name in paper. Your depositors know the Hammermill name. They use other Hammermill papers. They respect Hammermill quality. And they respect your judgment in furnishing them checks on Hammermill Safety. Hammermill Safety is low in cost. Promptly available in colors, sizes, backgrounds for every check requirement. Make this test now. Send for sample kit of Hammermill Safety and portfolio of checks in bank and commercial styles, and we'll let the paper speak for itself.



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SURFACE MARK

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SAFETY**

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B-NOV

Hammermill Paper Company
Eric, Pa.

Please send the sample book
of Hammermill Safety and
Portfolio of Specimen Checks.

Name _____

Position _____
(Please attach to your business
letterhead)



Tourist Lire

Your depositors who are planning a trip to Italy will appreciate the suggestion that they purchase Tourist Lire from your bank before their departure. Available through Letters of Credit and Travel Checks, Tourist Lire assure safety of travel funds and worth-while travel savings on the regular Lire rate of exchange. In addition, they provide a source of revenue for the banks issuing them. Tourist Lire are obtainable in amounts to meet your current requirements.

For further details, address

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New York: Palazzo d'Italia, 626 Fifth Avenue
Chicago: 333 No. Michigan Avenue
San Francisco: 604 Montgomery Street

Government Lending

This issue of **BANKING** contains an up-to-date report on Government lending agencies, the types of business they handle and the volume of their loans.

This is information which will be of interest and value to every member of your board, and should be made available to them.

If subscriptions are placed promptly for the directors of your bank at **BANKING's** special group rate of \$2 per subscription per year, they can be started with this November issue. Send names and mailing addresses by return mail.

their earning asset picture—are to an increasing degree offering such information to country correspondents.

Savings Banks Look Ahead

SCATTERED HERE AND THERE throughout the 17 states which have mutual savings banks are isolated examples of movements into new fields of service by these institutions.

In some places these savings banks provide trust services for the individual with small means. Elsewhere they make available checking account privileges. In other instances savings banks have entered the personal loan field. One of the widest departures, probably, from the historical deposit and investment principle of the savings bank was the offering for a time of a bill-paying service by one of the New York City institutions. This service was dropped because of uncertainty as to its legality.

Savings bank life insurance, discussed elsewhere in this section, is another "new" field.

Few of the more than 500 mutual savings banks in the country have adopted any of these ideas, although some have offered such services for a number of years. A highlight of the present situation is the increasing number of progressive, forward-looking savings bankers who are giving consideration to these ideas. It is fairly certain, however, that any substantial movement in this direction, should it develop, will be slow.

One large deterrent to wide adoption of such ideas, in addition to the question of conservatism of the banking fraternity, is the law. In a number of states such as New York the banking law would have to be amended to permit expansion of savings bank activity along these lines.

Another direction along which progressive savings bank thought is focusing its attention these days is that of possible adjustment of interest rates on savings accounts in accordance with activity of the accounts. For example, a question is raised in some quarters as to whether the man who keeps an average balance during a year's time of \$25, making during that period 50 deposits and 100 withdrawals, should receive the same rate as another man who deposits \$10 weekly, makes few, if any, withdrawals and maintains an average balance of \$750. Obviously the

SOUND INSURANCE

fire
windstorm
automobile
earthquake
sprinkler leakage
explosion, riot and
civil commotion
use and occupancy
rent and rental value
annual transit
fur floater
parcel post
personal effect floaters
trip transit
other miscellaneous
inland marine lines

An excellent company — Ask your broker or agent

**MILLERS NATIONAL
INSURANCE COMPANY**
ESTABLISHED 1865
HOME OFFICE • CHICAGO

in Washington, D.C.

Equipped with every modern
comfort and convenience.

RATES FROM

\$5 Single \$8 Double

THE *Carlton*

16TH at K ST.

New York Office
30 Rockefeller Plaza
Circle 7-7130

The largest hotel in the South.
Ten minutes and 30c by taxi from
Union Station.

RATES FROM

\$4 Single \$6 Double

**WARDMAN
PARK HOTEL**
CONNECTICUT AVE. and WOODLEY RD.

in Washington, D.C.

"That's fine! I'm glad to see more of our money at work for loans protected by Field Warehouse Receipts."



New Business for Banks

Field Warehousing by Douglas-Guardian has become "standard procedure" with many banks as the basis for loans highly satisfactory both to bank and client. Is your bank familiar with this fertile field for new business? Almost any inventory, whether of raw material or finished product, provides the basis for Field Warehousing. Douglas-Guardian sets up custodianship and issues Warehouse Receipts to cover your loan. It makes a high grade loan for you, with the details shouldered mostly by us, and the client served without red tape or waste of time.

Check over your loan applicants. Are you withholding approval in some cases where inventory is available as a basis for Field Warehousing — permitting a loan that would be fully and effectively covered? And if you are, and would like information on the particular situations you have in mind, write us in confidence and we will be very glad to give you our specific suggestions.



COLLATERAL WAREHOUSED ON PREMISES



BRINGS THE WAREHOUSE TO THE INVENTORY

GLAD TO MAIL YOU A COPY OF THIS FREE BOOK

— It's a concise but comprehensive presentation of Field Warehousing as conducted by Douglas-Guardian. Points out some pitfalls to avoid . . . for instance the important differences between legitimate Field Warehousing and subsidiary warehousing. Gladly mailed without cost or obligation. Clip the coupon right now as a reminder.

Douglas-Guardian Warehouse Corp.,
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Please send us your book, *Financing the Modern Way*.

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Field Warehousing by Douglas-Guardian

DOUGLAS-GUARDIAN WAREHOUSE CORPORATION—Nation-Wide Warehousing Service

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118 N. Front St.

CHICAGO, ILL.
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DALLAS, TEXAS
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ROCHESTER, N. Y.
1223 Commerce Bldg.

EASTON, MD.
428 South St.

SPRINGFIELD, MO.
215 Holland Bldg.

SAN FRANCISCO, CAL.
485 California St.

TAMPA, FLA.
416 Tampa St.

CLEVELAND, OHIO
Leader Bldg.

LOS ANGELES, CAL.
Garfield Bldg.

MEMPHIS, TENN.
106 Porter Bldg.

COMMERCIAL INVESTMENT TRUST INCORPORATED



COMMERCIAL INVESTMENT TRUST Incorporated, with capital and surplus in excess of \$67,000,000, provides a nation-wide sales finance service through subsidiary companies with a network of branch offices throughout the United States. This service, which consists of purchasing self-liquidating accounts, extends to automobile dealers, household appliance dealers, and to manufacturers and dealers in many lines of industrial, commercial and professional equipment, including the heavy goods industries.

C. I. T. offers its standard notes for short term accommodation in varying amounts from \$1,000 to \$100,000, in maturities from 60 to 270 days and at current discount rates. These notes are payable at any of our 279 depository banks located in principal cities throughout the country.

Latest published financial statement and list of depository banks will be mailed upon request.

ADDRESS
Treasurer,
Commercial Investment
Trust Incorporated
1 Park Ave., New York, N. Y.

man in the first example doesn't "pay his keep". There are, however, a number of objections to having different rates on different accounts. It would mean more bookkeeping. It might necessitate requiring those drawing higher interest rates to agree to leave their funds for longer periods.

Warehouse Receipt Loans

THE PRACTICE OF WAREHOUSING commodities is an old one. Negotiable warehouse receipts covering marketable commodities are also fairly well recognized as legitimate collateral for bank loans.

Through extension of credit to business on goods stored temporarily in warehouses the banks of the country have made an important contribution to business and industrial progress. Business man "A" can buy, say, six months' supply of a particular commodity which he uses in his business, borrowing from his bank the funds to carry such materials and providing that bank with a warehouse receipt as collateral.

One important offshoot of warehouse receipt lending in recent years is "field warehousing". This practice, in brief, is that of bringing the warehouse to the commodity rather than bringing the commodity to the warehouse. Suppose, for instance, Mr. Jones wants to order a boat load of coal now (when prices are cheap) for later use. It would be difficult indeed to warehouse this commodity. So a licensed warehouseman is employed to set up appropriate enclosures about the boat load of coal and thus provide a "warehouse".

Special Purpose Savings

A NUMBER OF YEARS AGO Christmas Club savings accounts were introduced. Out of this simple idea, aimed at making it easier for the ordinary individual to accumulate little by little and week by week a sum sufficient to take care of all or part of the extra drain on his pocketbook at Christmas time, has grown a widespread use of special purpose savings accounts.

A customer can save for any purpose he desires. Among those suggested by

LONGINES

World's Most Honored Watch

USED ON EVERY
ROUND-THE-WORLD-FLIGHT

Howard Hughes' record-breaking flight around-the-world was exclusively navigated with Longines Watches. Thus Longines, the world's most honored watch, maintains its tradition of having timed and navigated every important around-the-world flight in aviation history.

NEW YORK
MINNEAPOLIS
PARIS
MOSCOW
OMSK
YAKUTSK
FAIRBANKS

10 GOLD & 20 SILVER GRAND PRIZES
20 GOLD MEDALS
OBSERVATORY ACCURACY AWARDS
THAT ANY OTHER WATCH

Gold Model: Gold filled, 17 jwls. \$50.00

Coronet: 14K solid gold, 20 diamonds, 17 jwls. \$125.00

Presentation: 14K solid gold, 17 jwls. \$85.00

Authorized Longines jeweler everywhere sell men's and women's Longines Watches priced \$40 to \$4000

**LONGINES-WITNAUER
WATCH CO., Inc.**
New York Paris Montreal Canada
LONGINES Watches • AGASSIZ Watches
WITNAUER Watches • TOUCHON Watches

MASSACHUSETTS in 1773 REBELLED against UNFAIR TAXES



MASSACHUSETTS remains FAIR in her own TAX LEVIES ON INDUSTRY

People in Massachusetts esteem industry and craftsmanship — industry by which Massachusetts has grown mighty — skill, which through the years, has become a revered heritage. In such an atmosphere industrial intolerance does not flourish. Such men do not burden industry with insufferable taxation.

Thus, in solvent Massachusetts, manufacturing corporations enjoy the lowest taxes in the United States. The state tax has not been increased since 1920 and the only local tax paid by manufacturing corporations is the tax on real estate. There are no onerous "extras", such as municipal property taxes or high levies on corporations which carry

on only a part of their business within the state — no complicated taxes divided between "tangibles and intangibles".

Massachusetts welcomes new industries and offers these unparalleled advantages: — minimum taxation, the best source of skilled, steady labor, proximity to many of America's major markets, excellent transportation, sound banking, invigorating climate, and unsurpassed living and cultural facilities.



A brief book of accredited facts, *The Industrial Advantages of Massachusetts*, will

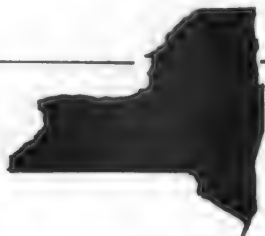
be sent on request. Your further inquiry is invited.

THE MASSACHUSETTS DEVELOPMENT AND INDUSTRIAL COMMISSION • STATE HOUSE, BOSTON, MASSACHUSETTS

IT'S PROFITABLE TO PRODUCE IN MASSACHUSETTS

*How to present
New York State
Cash Items*

**24 HOURS
SOONER!**



The Marine Trust Company's night transit service enables you to save up to 24 hours in presenting cash items in New York State.

With very few exceptions, items reaching us prior to 1 A. M., will be presented the next business day in 56 New York State cities.

This fast night transit service is possible because of The Marine Trust Company's many correspondent banks throughout the state and its strategic location in the world's greatest market.

Cash items for other parts of the United States are handled with similar promptness. Send for a copy of our latest Night Transit Schedule.

**MARINE TRUST
COMPANY OF BUFFALO**

A Marine Midland Bank

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

the banks are marriage, a home, an automobile, education for children, a start in business, a vacation, income or any other kind of taxes, and insurance premiums.

Special purpose saving has spread widely. New "purposes" are continually being brought into use. One of the latest among these is the New York World's Fair, to be held next year. A New York World's Fair 1939 Savings Club plan has been adopted by banks in most states.

Transfer Agents

MANY YEARS AGO, transferring a security from one individual to another was relatively simple. With the advance in civilization and the tremendous increase in the number of laws governing our actions, it has become fairly complex.

It has, in fact, become a business—that of acting as transfer agent.

Banks providing transfer agency service are largely New York City institutions, for it is there, of course, that the vast majority of security trading is done. What the transfer agent does, in effect, is to lift from the shoulders of the corporation whose securities are being transferred the responsibility placed on that corporation by the law. It sees that the exchange is between the proper persons and that it clears all legal hurdles.

Cotton Loans

THE authorization of the 1938-39 Government loan on cotton was of interest to many banks. Although farm leaders had asked for a base cotton loan rate of approximately 12 cents a pound, the Government set the rate near the minimum permitted under the new crop control law.

In many respects the 1938 loan is similar to the 1937 Government loan on cotton. Cotton notes bear 4 per cent interest with the provision that holders must pay the Commodity Credit Corporation 1½ per cent interest from the date of a note to the date it is purchased by the corporation. Under this agreement the lending agency is permitted to retain 2½ per cent out of the interest charged on the paper.

All banks wishing to originate cotton loans or purchase cotton producers' notes from other lending institutions

BANKING

why MUTUAL liability insurance for your client?

ORIGIN The first mutual liability insurance company was formed, in 1887, by a group of New England manufacturers who wished to distribute their costs of liability insurance and to share in the savings. This company is American Mutual — one of America's strongest companies.

BENEFITS Cost-lowering through profit-sharing—is only one of the benefits of mutuality now enjoyed by American Mutual's thousands of policyholders.

- ☆ The opportunity to select firms to insure means that unfavorable risks can be avoided, underwriting costs lowered, and all risks diversified.
- ☆ Direct dealing through salaried employees promotes a closer relationship with each individual policyholder.
- ☆ The fact that each policyholder can reduce insurance costs leads to a greater interest in safety—thus helping to protect earnings which are shared by all.
- ☆ The company's management invests for security, not appreciation, and depends for profits upon lower sales costs and strict underwriting.

RESULTS

Cost reduction. During 51 years, American Mutual has saved its policyholders \$60,000,000 in premium costs alone.

Diversification. American Mutual's greatest concentration of risk in an industry is only 14%—in metal-working. Geographically, the distribution is similarly well spread.

Relations with Policyholders. American Mutual enjoys a high percentage of policy renewals. Many firms have been policyholders through succeeding generations of management.

Improvement in Safety. Rate reduction charts show hundreds of policyholders benefiting—financially—from improved accident experience.

Security. The fact that dividends to policyholders have regularly been 20% or more is evidence of an operating margin that promises security to each policyholder.

May we send you our latest financial statement and investment account?

Admitted Assets:
\$14,566,615.84
Liabilities:
\$29,441,222.08
Surplus to Policyholders
\$5,421,393.76
As of Dec. 31, 1937



Savings of 20% or more have been made on Workmen's Compensation, Fidelity Bonds, and almost every other line of liability insurance. On Fire Insurance, written by our associate, Allied American Mutual Fire Insurance Co., even greater savings have been regularly made.

American Mutual

America's Oldest Liability Insurance Company

AMERICAN MUTUAL LIABILITY INSURANCE COMPANY
142 Berkeley Street, Boston, Mass.

NEWS: Ready in November —

MONTGOMERY'S two new **Tax Handbooks** for 1938-39

1. FEDERAL INCOME TAX HANDBOOK

corporate and individual income taxes, capital stock tax, excess profits tax, taxes on undistributed profits, stamp taxes on issue and transfer of stocks and bonds — and

2. Federal Taxes on ESTATES, TRUSTS, and GIFTS

estate taxes, gift taxes, income tax as it affects estates and trusts, minimizing taxes in planning the disposition of estates

Save Time, Worry, Taxes

with these books for your institution and for those whom you serve or counsel. Small and large banks the country over use them year after year in preparing returns, deciding financial policies, handling individual transactions to incur least taxes. This is the 18th of the famous Montgomery Tax Handbooks; over 150,000 of these manuals have been issued. The only tax guide that gives you all these features:

Legal and accounting viewpoints combined at every step; expert counsel and comments on application of each tax; procedure to follow — specific recommendations of just what to do; trustworthy interpretation of new or doubtful provisions.

Order Your Copies Now

You may return them if not satisfied. Special combination price of \$15 if you get both books.



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Dept M259, 15 East 26th St., New York City
Please send me, as soon as issued, Montgomery's tax books for 1938-39 as checked:

- ☐ Federal Income Tax Handbook, \$10
☐ Federal Taxes on Estates, etc., \$7.50
☐ Both the above books at the special combination price of \$15

Within 5 days after the books reach me, I will remit the price stated, plus a few cents for delivery. Or, if not satisfactory, I will return them.

Name.....
(please print)

Bank.....Position.....

Business Address.....

City.....State.....

BANK DIRECTOR RESPONSIBILITIES

Bank directors in every part of the country are expressing keen interest in the series of articles now appearing in **BANKING** on the matter of director responsibilities, based on interviews with the head of the Federal Deposit Insurance Corporation, to be followed by articles from a former State Superintendent of Banking. These will continue for a period of several months.

If your directors are not already getting **BANKING** each month, it will pay you to supply it to them at our specially reduced group rate of \$2 per subscription per year. Send us names and home addresses so we can start their subscriptions with this November issue.

must execute a contract to purchase (1938-39 Cotton Form D) with the C.C.C. before January 1, 1939.

Foreign Trade Financing

BANK CREDIT is an integral and important part of foreign trade. It is a major link in the chain which makes up the exchange of goods and services the world over.

In domestic business bank credit is necessary to take care of the time element—that lag between the point at which a producer buys raw materials and begins manufacture of some article and the point at which he receives payment from the purchaser of this article. In lending money for foreign trade this factor is present. In addition, the banker irons out for the exporter one of the fundamental problems—that of getting payment for him in his own currency.

In the past few years the intricacies of foreign exchange in the streamlined managed money era of the 1930's are a puzzle even to the most experienced. In addition, as complicating factors to foreign trade—are quotas, tariff changes and many other barriers to a smooth flow of international commerce. The banks have sought in many ways to help their customers over these hurdles.

One important recent development in the field of foreign trade financing has been the growth of the Export-Import Bank. Although first started in 1934, it is only in the past two years that this Government institution has really made some headway.

Just now it is operating along three main lines, all of which are supplementary to regular commercial banking participation in foreign trade financing. First, the Export-Import Bank is helping finance export of agricultural surpluses. The E-I makes available the credit to the exporter but some commercial bank actually advances the funds and the E-I sees that the commercial bank gets its money back. Second, the Export-Import Bank is discounting obligations issued by foreign countries in exchange for Americans' blocked balances in those countries. Third, the E-I is financing export of capital goods, particularly to South American countries.

This latter financing calls for longer terms than commercial banks grant in foreign trade credits.



CHANG AN

The Chinese name for the Phoenix is "Chang-An," meaning, figuratively, to bring back-to restore.

The ancient Egyptians thought of the Phoenix as a bird that, every 500 years, flew out of Arabia into Egypt where at Heliopolis it burned itself on the altar, and then arose from its ashes young and beautiful.

Since the earliest days of insurance the Phoenix has been used to symbolize ability to replace property after it has been destroyed by fire.

SINCE 1854

THE PHOENIX INSURANCE COMPANY

OF HARTFORD, CONNECTICUT

Capital, - - - - \$6,000,000.00

Surplus to Policyholders, \$44,807,872.44

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

Statement of Condition, September 30, 1938

RESOURCES

CASH AND DUE FROM BANKS	\$ 986,341,323.24
BULLION ABROAD AND IN TRANSIT	37,050,975.81
U. S. GOVERNMENT OBLIGATIONS, DIRECT AND FULLY GUARANTEED	661,918,043.40
STATE AND MUNICIPAL SECURITIES	108,747,143.17
OTHER BONDS AND SECURITIES	174,451,571.41
LOANS, DISCOUNTS AND BANKERS' ACCEPTANCES	620,196,819.77
BANKING HOUSES	34,865,058.10
OTHER REAL ESTATE	6,835,051.92
MORTGAGES	11,297,190.31
CUSTOMERS' ACCEPTANCE LIABILITY	22,003,055.08
OTHER ASSETS	6,416,425.19
	<u>\$2,670,122,657.40</u>

LIABILITIES

CAPITAL FUNDS:	
CAPITAL STOCK	\$100,270,000.00
SURPLUS	100,270,000.00
UNDIVIDED PROFITS	31,136,343.12
	<u>\$ 231,676,343.12</u>
RESERVE FOR CONTINGENCIES	16,867,007.26
RESERVE FOR TAXES, INTEREST, ETC.	1,700,804.22
DEPOSITS	2,376,974,193.01
ACCEPTANCES OUTSTANDING	22,779,871.31
LIABILITY AS ENDORSER ON ACCEPTANCES AND FOREIGN BILLS	12,169,784.94
OTHER LIABILITIES	7,954,653.54
	<u>\$2,670,122,657.40</u>

United States Government and other securities carried at \$134,108,067.90 are pledged to secure public and trust deposits and for other purposes as required or permitted by law.

Member Federal Deposit Insurance Corporation



The New England Clippers...

universally acknowledged as the crowning achievement in wind-spiced merchantmen—portrayed by N. C. Wyeth in one of the four marine mural canvases that decorate the walls of our main banking room.

The **FIRST**
NATIONAL BANK *of*
BOSTON

1784 ★ 1938



The Outlook

Public Opinion

By GEORGE GALLUP

The author is Director, American Institute of Public Opinion.

DURING the past few years the American Institute of Public Opinion has conducted scores of surveys touching on the public's attitude toward business. These scientific samplings sounded the opinion of thousands of people in all walks of life from the wealthy investor down to the poorest workman on the W.P.A. *The results indicate clearly that business and businessmen are gaining in public favor today.*

Early in the depression the industrialist and the banker were made the goats when men lost their jobs and their homes. Business leadership was seriously questioned, and a feeling grew that the people had been sold down the river by the captains of finance and industry. The revelation of inside deals and stock jugglery placed a heavy onus on Wall Street. At one time feeling ran so high that the Chief Executive of the land linked bankers in the same breath with kidnappers.

Out of this situation a new type of leader rose to power: the political reformer. He promised correction of abuses which business had failed to correct of its own free will. People turned from business leaders to political leaders to effect the social readjustments. The country rode along for a while with the politician-reformers, who leaned more in the direction of labor than of business. But now there are signs that sentiment is beginning to veer around to the point where business leadership is coming back into favor.

If one had to select a date for the beginning of the new public attitude, it would be the period in 1937 when the sit-down strikes flourished throughout the nation. This new weapon of labor was found in many Institute surveys to be highly unpopular with the great masses—even with many union members. There was an immediate and drastic reaction, particularly among the middle class, to the militant type of labor union which seemed to challenge property rights. As the sit-downs continued to tie up industry in city after city, the public sympathized more and more with the

businessmen. A survey of public sentiment at the time of the General Motors sit-down strike, for example, showed a majority of nearly six to four sympathizing with the company rather than with the strikers.

Back in 1933 the watchword of politics was "regulation" of business. Today there is growing sentiment for removing many restrictions on business. That fact is indicated in surveys which have sounded the public's opinion on how to help bring about recovery. One of the answers given most frequently by voters is: "Leave business alone; cut out Government interference." The fact that this is even mentioned today when only four years ago regulation was the popular watchword, is evidence of a gain in the prestige of big business.

Another bit of evidence is to be found in the downswing of President Roosevelt's popularity as compared to a year ago. From 63 per cent in October 1937, his popularity curve, as measured by the Institute, fell to 55 per cent in September 1938. When the Institute asked voters who had deserted him during this period to give the reasons for their change in sentiment, one of the two reasons mentioned most frequently was "the President's hostile attitude toward business." This is some indication of a growing public sympathy with the businessman's point of view.

One basic reason why business seems to be coming back into popular favor is that the trend of public opinion is toward middle-of-the-road policies in the handling of national affairs. With a few exceptions, the extreme types of reform have passed the heyday of popularity. In spite of President Roosevelt's personal prestige with the voters, the dominant pull of public opinion today is toward greater conservatism rather than toward greater liberalism, as indicated by many Institute studies and by the defeat of the President's attempt to purge conservatives out of his party. One significant survey found that 66 per cent of the voters want the Roosevelt Administration to become more conservative, as compared to 34 per cent who think it should continue along present lines.

The conservative trend in politics has a vital relation to business, because the businessman's point of view is the conservative point of view. If conservatism is gradually growing in popularity, then it is not surprising that the public attitude toward business is beginning to change.

But there will be no going back to the "good old days" before 1929. The President was mistaken when he attempted to define conservatives as those who want to "return to the

kind of government we had in the twenties." Many of the most far-reaching reforms which the New Deal has imposed on business are heartily approved by conservatives themselves. Institute surveys have repeatedly found that voters who classify themselves as conservatives and who vote for conservative candidates and measures, favor the present social security laws almost as much as do the liberals. Both conservatives and liberals approve the principle of Government responsibility for the destitute unemployed. Almost half of the voters who label themselves conservative favor the new wage-hour legislation, for which many Republican congressmen voted.

The Republican National Committee's recent broadside against the New Deal—"Promise and Performance"—contains a section on "Control of Business" which lists 37 laws "interfering with the economic functions and private management of American business." This blacklist includes many laws which public opinion long ago accepted and approved. The Securities and Exchange Act is in the list, yet according to Institute surveys more than 60 per cent of investors themselves approve of Federal regulation of the stock exchanges, and the general public shares the same view. Also blacklisted by the G.O.P. campaign book are the Public Utility Act and the Reciprocal Trade Agreement Act. Yet the regulation of utility holding companies is favored by 86 per cent of voters who have an opinion on the subject, and Secretary Hull's reciprocal treaties are approved by more than seven voters in every ten. The guaranteeing of bank deposits by the F.D.I.C. is in the list, but it, too, is accepted by a large majority of voters.

A REACTION IS APPARENT

SO far as public opinion is concerned such reforms and policies relating to business are here to stay. But there are others which have already caused an unfavorable public reaction. The G.O.P.'s blacklist includes the undistributed profits tax and the National Labor Relations Act. Surveys on these two issues show that among voters who have an opinion there is a 2 to 1 majority favoring reduction or repeal of the undistributed profits tax, and revision or repeal of the Labor Act. Only half of the voters with opinions think the Labor Act as now constituted is fair to employers.

The attitude on the Wagner Act seems to indicate a public feeling that, in the struggle between capital and labor, the Government has sided too much with labor. Labor's right to band together into unions for collective bargaining is approved 2 to 1, but there is sentiment for regulation and control of union activities. Seven out of every ten voters favor Federal regulation of unions, and an even greater majority (86 per cent) think unions should be required to incorporate. The conservative type of labor leader is definitely preferred to the militant type. For example, when voters throughout the country were asked which labor leader they liked better, Green or Lewis, the vote was 2 to 1 for Green. Any cooling of the public's attitude toward militant unions is likely to redound to the advantage of business.

The attitude of individual voters toward business, as toward politics, is strongly colored by their economic status. The cleavage between the high and low income brackets, between the "haves" and the "have nots," is the dominant opinion cleavage today. As depression deepened, big business and the Republican Party forfeited the confidence of the "have nots," who turned to the Democrats for succor. Today the "haves" vote for men and measures that conserve wealth; the "have nots" vote for men and measures that

distribute wealth. If you divide the electorate into three income groups—upper, middle and lower—you find that the upper third is strongly anti-Roosevelt, the middle third mildly pro-Roosevelt, the lower third overwhelmingly pro-Roosevelt. The middle third holds the balance of power. How long the Democrats stay in office depends on how long they can hold this middle-income vote.

The problem of big business, so far as public relations is concerned, is to win support in the middle income group while at the same time holding the confidence of the upper group which is already predominately conservative. There is some evidence that middle class sentiment is already moving toward the right. In the first place, Institute surveys find that voters in the middle income level are less in favor of President Roosevelt today than they were in 1936. A majority (60 per cent) say they are not better off now than they were a year ago. They favor revision of the Wagner Labor Act and they were opposed to increased Government spending at the time the new spending program was adopted by Congress. But, like other elements in the population, they have also accepted certain New Deal reforms, as, for example, the Wage and Hour Act.

Despite cross-currents of opinion, what the public now seeks, by and large, is the center path between ultra-liberalism and ultra-conservatism. It is willing to accept, and has accepted, many New Deal reforms that came out of the past six years of social revolution. But it is not willing to accept them all—to go to the extreme limit of business regulation. Nor, on the other hand, is it willing to abolish them all and go back to the system of comparative laissez faire which prevailed in the nineteen-twenties. The businessman and the banker who recognizes and accepts the change, and makes the necessary adjustments to it, will save himself much effort and trouble bucking the tide of public opinion.

The Middle Class

WITHOUT the support of the American public, neither capital nor labor can thrive and prosper in this country. Progress will mark time until industry comes to its senses. This is a middle class country and the middle class will have its will and its way. For the middle class is the real owner of American industry. The middle class is also 80 per cent worker and the consumer of 80 per cent of American industrial production in the home market. The middle class thinks and feels chiefly as the consumer. And before the middle class demands an increase in either interest for investors or higher wages for the worker, the middle class will demand fair prices and a stable industry.—WILLIAM ALLEN WHITE, Editor, *The Emporia Gazette*, before the International Management Congress.

"Outside People"

ENGINEERING, production, distribution, and earnings for the stockholders—all these are vital, as always, but the forward-looking business executive of today sees another equally vital job. He knows that employees, customers and neighbors also are interested in industrial and business enterprise. He accepts as natural and justified the interest of all those "outside people" in the affairs of his company. He is aware of the damage that may be done to him and his business by the greatest force in America—an aroused public opinion.—JAMES H. MCGRAW, JR., President, McGraw-Hill Publishing Company, before the National Industrial Advertisers' Association.

Economic Thought

By EVERETT DEAN MARTIN

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IT is more than possible that the future historians, writing the story of the American Republic, will mention 1938 as a crucial year. Although (they will say) that year did not exceed the others in violence or in expressions of popular discontent, it was in 1938 that privately owned industry was faced with a loss of independence and inability to continue without Government aid and direction.

For more than a generation, favored business enterprises had developed the habit of seeking special advantages and privileges, legitimate and illegitimate, at the hands of government. There had been widespread resentment and many protests on the part of a public unable to discriminate between the size of an industrial organization and the various methods by which its apparent success might have been achieved. When in 1929 a short-sighted prohibitive tariff and a mania of speculation resulted in serious depression, neither business nor the public was willing to go through the period of deflation necessary to general recovery. The morale of the public had grown soft, religion had declined and education was little more than a means to self-indulgence. When the test came people of all conditions, contrary to the tradition of their ancestors, were thrown into a panic of helplessness. The public demanded that the Federal Government solve the economic problem.

Now, since it is the nature of government everywhere to extend itself at the expense of the freedom and property of the citizens, a new national Administration welcomed the opportunity. It encouraged among the people a cult of self-pity and promised a democratization of subsidies. A temporary structure of illusive recovery was erected on the sinking foundation of borrowed billions, while incompetent officialdom took occasion to plan and manage the industrial life of the nation already crippled by Government meddling. Business was either cajoled or coerced into cooperating with politics in policies which were contrary to its best judgment. When, early in 1938, the Government, hesitant before the increased debt and excessive burden of taxation which its borrowing and spending had imposed, reduced its grants in aid, it became apparent that industry had already under the hegemony of politics become so dependent on Government aid that much of it was now unable to function without it. The borrowing and spending had to be resumed, notwithstanding the fact that wise men throughout the nation saw that it was eating up the patrimony of the state in non-productive mismanagement, and could end only in national bankruptcy or dictated planned economy—or both.

Will the future historian, viewing this year in retrospect, be obliged to say the process toward the destruction of republican liberty had rounded the corner beyond which there could be no turning back? It is generally recognized that there comes a time in the course of human behavior when commitments are made that cannot be un-made and when the past operates as a negative if not positive determinant

of future procedure. But does the past determine the future in any such sense that a definite social future is necessarily indicated and we must be resigned to our fate? The fatalistic attitude on this point depends on the presuppositions from which one views the present situation. From the standpoint of the economic determinism which has of late years been popularized by partially educated publicists, our fate would appear to be sealed.

But few people have stopped to enquire seriously whether or not the so-called economic philosophy which is now the fad may have been fabricated by people who consciously or unconsciously wanted to mislead us so that we would seal ourselves up. Is it not time that somebody called this popular economic philosophy what it is, a vicious set of delusions founded neither in reason nor in economic fact, but in adolescent imagination? Instead of being the correct explanation of our present sad condition, these popular economic delusions may be shown to be a cause of it. It is the way men think about these things that determines their fate—and to deny this statement, as economic determinism does, is to beg the question, for economic determinism is based on the unproved dogma that man is the creature of desire (economic interest) and that consciousness (mind) exists only in the service of desire, having about the same biological function as a pig's nose. There is nothing in philosophy or history or psychology to compel us to hold such a view. On the contrary it was invented by propagandists who, knowing that men are motivated by what they think, hoped they could induce the masses to think in terms of these delusions to the undoing of all "bourgeois liberal democracy".

ECONOMIC THINKING CLASSIFIED

PRESENT day economic thinking is of three kinds: (1) The measured and tested conclusions of scientifically trained economists; (2) popular delusions, in which the whole thinking and purport of economic science are perverted by the desire to get something for nothing; (3) political and official manipulation of popular delusion to the end of increasing the power and perquisites of office holding. Good intentions and desire for the public welfare may accompany any or all of these kinds of economic "thinking", but not necessarily good judgment.

Insofar as economics is truly scientific, it is characterized by the same caution and respect for truth and fact that we find in any science. It is neither partisan nor propagandist. Like the biological sciences generally, it is largely descriptive. It investigates, classifies, tabulates its data and announces its findings either as general statements of fact or as laws which are more or less hypothetical and often open to further research and revision. Its spirit is that of inquiry rather than of rule or ruin. It is really a science of human behavior, rather than, like physics or chemistry, a science of things, for it has to do with human valuations of things and with man's behavior in making, owning and exchanging things. So it is somewhat at a disadvantage, lacking the experimental technique of the laboratory; and the "human element" plays so large a rôle in its subject matter that beyond a few established general laws, like the observation that bad money drives the good out of circulation, the differences between monopoly prices and the general relation of supply and demand, and the relation between world trade and the standard of living, its findings are mostly statistical. It makes no claim to the certitude of, let us say, the laws of thermodynamics.

In recent months I know of no widely publicized new dis-

covery in economics, nor of any significant advance in methods of research. There are, however, numerous important insights into the economic relations of various industrial enterprises, like the observed dependence in prosperity or depression of consumer industries on basic industry and new capital investment. If any reputable group of economists have anywhere presumed to such scientific knowledge as would enable them, or the public servants they might advise, to drive the entire industrial life of the nation four-in-hand, I have not heard of it. Careful students of economic problems are quite ready to assert that there are many unsolved problems in every branch of the science and that the knowledge requisite for a planned national economy does not anywhere exist. Economics today is a desperately oversold science, but it should be said that it has been the journals of opinion and the ambitious amateurs, not the scientific economists, who have sold it short. Economists are specialists; many really good scientists, along with many quacks, are at present in the service of the Government. These scientists give their attention to special problems in their isolated fields of work, but few if any would, as scientists, maintain that the sum total of their several specialties would add up into an integrated general public policy. It would not be far wrong to say that the more scientific an economist is, the more conservative he will be about social reconstruction in general.

A CURRENT FAD

SO, then, what passes with the public for economic thought is not economics at all, but a pseudo-scientific jargon with which science has nothing to do, a jargon by historical accident attached to the age-long desire of men to get something and get it easily. Since the close of the 18th century it has been fashionable to try to make a "gospel" of science. But this gospel has in it little if anything of the true scientific spirit. The scientific temper is that of careful reason and hard work, but the gospel of science is the faith that benefits will rain down on unreasonable multitudes because of the magic worked on Nature by a few scientific medicine men. The *summa magica* of the gospel of science is the imagined "technology" of economics. Any group or faction in society which seeks to idealize its material interests or justify its envy, or indulge in romantic dreams of universal happiness, talks "economics". The mob has taken up economics in our time just as in the 17th century it took up theology and in the 18th century political science. It has never had an understanding of any of these sciences, but has merely used their new terminology for purposes of propaganda. With all the popular preoccupation with "economics" today, the sound principles of scientific economics are precisely the things which cannot get a respectful audience in the United States. As a matter of fact, adherence to any proved and established principle whatever is at once branded as unprogressive, reactionary and is said to be motivated by desire to preserve the "status quo". A "liberal" is erroneously defined as a person who welcomes change—apparently without attempt to scrutinize the nature of change or its probable results. Why cultivate the virtue of reasonableness when it is pressure groups and radio voices that get things done? Our generation with its "rendezvous with destiny" is about to see the glory of the coming of the lord of plenty! A new social order is ahead. All we need do is spend and borrow our way into an "economy of abundance".

The latest thing in popular economics is a new emphasis on man as consumer. The argument of this new consumer

Controls

THE MOST important question before the American people today is this: To what extent is it desirable, in particular fields or more generally, for the Government to exercise controls over the enterprise system? It goes without saying that if the controls are to work to the benefit of the country, the remedies must not be worse than the ills they are designed to correct.

It goes without saying, too, that the controls must accomplish their social objective without the sacrifice of essential liberties which are basic to a system of free enterprise operating in response to the profit motive and functioning through free markets. The normal incentives to enterprise and production which have been so long native to our race must not be destroyed, whether by governmental regulations, governmental competition or such unmanageable governmental expenditures as will result in either an impossible tax burden or bankruptcy of the Government. Otherwise, as one corrective succeeds another, and remedies are devised to offset the ill-effects of other remedies, we gradually are drawn into collectivism, an alien system repugnant to our deepest convictions.—WINTHROP W. ALDRICH, Chairman of the Board, Chase National Bank, New York, at the 40th anniversary exercises of Northeastern University, Boston.

philosophy runs about as follows: Production is activity which is a means to something else, but consumption is activity which is an end in itself, since production takes place only for the sake of consumption. In Heaven there is no production, but all consumption, which is the symbol of perfect happiness. Since man is a product of his environment, and growing comes of eating, to get something is the same as to become something. It is futile to urge people to become virtuous and noble while their stomachs are empty. Of course, we are mastering the problem of absolute want, for the Administration has not let anyone starve. But want is a relative, not an absolute, thing (which is to say that the more people have the more they want). It is the function of organized society to take care of people's relative wants (which in other words means that the Government not only owes everyone—who can vote—a living, but a good living at that). Civilization is sharing, so that there must be no underprivileged, which means that there are to be no privileged in any sense. We shall have a classless society in which, with two or three hours of pleasantly arranged work, everyone will enjoy the equivalent of an annual income of four or five thousand dollars. This state will be one of economic security for all, and such security will be the basis of truly cooperative human association. For it is natural that men fight one another unless they get what they want. Men are governed by desire, not reason, and satisfied desire alone can end the class struggle and bring us social peace.

Those old-fashioned thinkers, the out-of-date liberals, who hold that a just society is possible only when men are associated on a basis of a meeting of minds, mutual respect and consent of the governed, would make freedom depend on reason and intelligence. But if that is so, then there must be some standard of true or false, of right or wrong. But all this is the philosophy of the "better than thou" privileged classes. It is aristocratic and authoritarian. There are no unseen standards, no eternal verities, there is no better and no worse in any "metaphysical sense": Equality means compromise of all differences, even differences of judgment. As consumers, men are really equal, for they all have the same basic needs. So it is on the satisfaction of need and

desire that the new social order must rest. This is "economic liberty" (although it requires a tyrannical government to put it into operation) and capitalism is condemned because it denies economic liberty to the masses. Capitalism is therefore authoritarian and fascist.

I remember that Plato somewhere characterized such a society as is contemplated from the standpoint of this new economics as a "city of pigs". One should expect such overemphasis on consumption at a time when production is everywhere discouraged and the burden on industry of unemployment relief increases step by step with the unemployment. Such an attitude may serve to blind some people to the tragic inevitability that we cannot long continue to consume our own credit, but it is a travesty to call such thinking scientific economics.

I said that false economic thinking is a prime cause of our present unfortunate state. For a generation the public has been encouraged in one delusion after another, by publicists, politicians and even by educators. Every politician makes it his business to promise the public something it hasn't got, and which if it exists therefore belongs to somebody else. The list of delusions which publicly pass as economic truth is astounding, and to act on such delusions is the road to ruin.

SOME MUDDLED IDEAS

THERE is the delusion that industrialists are holding back an imagined economy of abundance when they insist that there must be production before there can be consumption. There is the delusion that "economic liberty" means general security from want under a paternalistic state, whereas economic liberty means free trade and never did mean anything else. There is the delusion that government has a store of wealth of its own which it may hand out at its discretion, whereas government has nothing of its own and whatever it gives to anybody it must take from someone else. There is the delusion that we could all be happy if we would only apply science to the solution of social problems as we have applied science to nature and mechanics, whereas there is no such universal social science. Moreover, science by its very nature cannot deal with individuals or accidents or qualities or ends—and these are precisely the things that involve human misery or happiness.

There is the delusion that we can give up our civil and political liberty and still have something called economic liberty, whereas it is obvious that without civil and political liberty men have no rights at all. The delusion persists that the present drift into collectivism is progress, whereas all the progress of the modern world has been achieved under bourgeois liberal democracy. There is a popular delusion that capitalism is fascistic, and this in spite of the historical fact that about all the civil liberty mankind has ever known has been found under the rule of the bourgeois classes. There is the delusion that the more widely extended are the powers of government, the more likely are we to find a solution of our economic and social problems—and the delusion persists in spite of the common knowledge that government is notoriously corrupt and incompetent and that the surest way to spoil anything is to "get it into politics".

Finally, people imagine that it would be possible to have a planned economy in the United States without dictatorship, and this delusion persists in spite of the example of Russia, Italy, Germany and Spain—and in spite of the obvious concentration of power in Washington and in the Executive during recent "New Deal" years. There cannot be a planned economy without official plans, and plans to be official must

be enforced. There can be no planned economy without power to put the plan into operation, and such power does not exist under the Constitution of the United States. The experience of the world in both ancient and modern times is that a planned society requires a dictatorship. Let us make no mistake about this matter. Any government that has power to plan the economic life of a nation must have power to starve and coerce men into submission, and so power to take away every constitutional liberty that men enjoy.

It is the psychological law of government that it always seeks more and more power, and that it will use and abuse every power it can get. Knowing this lesson of psychology and history, the framers of the Constitution of the United States did their best to establish a government of checks and balances. But our generation the world over appears to be possessed by a perverse spirit of unwillingness to heed the lessons of history and desires to exchange its hard won liberty for an illusory material gain. For the hope of economic abundance under dictatorship is the most unforgivable delusion of all. The experience of nations both ancient and all around us today shows that under dictatorial government the standard of living inevitably goes down. This must be so, for material progress requires individual initiative, whereas the favoritism, corruption and bureaucracy of despotic government all tend to destroy initiative and discourage productive effort.

All the popular delusions I have mentioned, and a score of others equally vicious, are the outgrowth of a philosophy of life and government which was imported into the English-speaking world from Germany during the 19th century. This Germanic philosophy was fabricated by men who did not understand or hated classic, English and American Liberalism, and is opposed in every basic principle to the philosophy that has made us free. To just the extent that our masses are taken in by this German madness and revolt against civilization, they will kill three hundred years' effort for freedom and progress and will become like the Germany of Adolf Hitler.

And the multitude is being taken in by this thing: it is daily being misled by people who are themselves not sufficiently educated or thoughtful to understand where the collectivist dream leads. Call the despotism toward which we are rapidly drifting what you will—Fascism, Communism, New Deal—it is all the same in the end. In the end it is a totalitarian state, unconstitutionally dominated by the dictatorship of a political party, with censorship, controlled public opinion, midnight arrests, party purges, concentration camps, and everybody in military organization, in uniform, and on rations, the slaves of the politicians.

This leads us to the third kind of economic thinking today, the official. We must understand that whatever benevolent motive may inspire officialdom, its first concern is to keep itself in office—and so to look after the good party workers. The more revenue it has to spend for "the boys" and the greater the number of second rate people it can support out of the public treasury—that is, the more surely office holding can be made a vested interest—the happier the politicians are. So government has a proneness to extend itself, to gain more and more power, to spend the wealth the people create on "fixing the fences" of office holders—that is, on non-productive enterprises. Government will eat up the wealth of society if it can and will become tyrannical unless the citizens resist it with that "eternal vigilance" which is said to be the price of liberty.

If the time should ever come when it is possible for govern-

ment to corrupt and pauperize the public with its own money and credit, you may be sure government will do it. It would then have everything to gain by doing it. Our English-speaking ancestors have long known this fact and have been realistic enough to see that the way to prevent government becoming tyranny is to keep it small, and the way to keep it small is to keep it poor. Parliaments and legislatures were looked to in the belief that these bodies, representative of the people, would serve to check official extravagance and exploitation. Parliaments have not lived up to this trust very well, for there have always been too many people anxious to get something for nothing out of the public. But from 1625 until now English-speaking peoples have assumed that they were exercising some measure of control over government by controlling the "purse strings". In this way, we have tried to keep government our servant. A servant that becomes richer than his master will certainly put on airs and soon become master himself. A servant ceases to be a humble servant and becomes a bully when he discovers that his master will give him anything he demands.

If now there should occur a radical change in public sentiment, so that the citizenry should cease to be independent and should come to depend on its governmental servants, it is obvious that public sentiment would run in the same direction as government's desire to lord it over the people it is supposed to serve. This is just what is now happening. Government is buying popular support for its will to despotism, and buying it with the public's own money. There is now little or no popular check on the will of government to extend the power and perquisites of politicians at the expense of the liberties and property of the citizens. Long ago Aristotle predicted that this is just the way in which a democracy would end in tyranny.

The irony of the situation is that all the while the populace, deluded by German radicalism, believes it is struggling against an imagined capitalistic "fascism", it is walking blindly into the jaws of its own growing fascist state. The real fascists in this country are the false "liberals" and "progressives" who are encouraging the deluded public to expect of officialdom an economy of abundance.

Whither, then, are we drifting? The answer is obvious. The American republic, with its contingent benefits of personal responsibility, freedom, progress and relatively high standard of living, cannot survive another quarter century unless the American people see the light, repent themselves and change their minds. Such repentance must take place in people of all classes, the rich and poor alike. It will not do, for it is no longer convincing, for people whose fortunes are derived from special governmental favor—tariffs, franchises, bounties, etc.—to cry down the attempt of the Government to democratize its subsidies and thus win the vote of "the forgotten man". Those enjoying special privilege of government have cried "wolf, wolf" so long that now that the real wolf is at our door nobody listens.

Bankers have a special lesson to learn in this respect. The public imagines that every banker is a "capitalist" and that whatever he may say is motivated only by his economic class interest. So the banker is discredited before he speaks. He must learn to speak, not as a banker, but as a man and a liberty-loving citizen, for he is man and citizen before being a banker. The time has come for us all, whatever our profession or business, to see the crisis into which our infantile selfishness has plunged the nation and jeopardized our freedom. This issue is not merely an economic issue; it is a great moral issue.

Bank Lending

By GEORGE W. EDWARDS

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THE present generation of bankers has lived through a veritable revolution in the nature of their operations. Probably no phase of economic enterprise has passed through so complete a metamorphosis as that experienced by commercial banking. Contrary to the commonly accepted belief, commercial banking throughout its history has furnished not only short-term credit to finance the current requirements of industry but has also extended long-term credit to facilitate the establishment and expansion of plant and equipment. However, in recent years the extension of investment credit has progressed so rapidly that it has become the dominant activity of our so-called commercial banking system. This tendency is reflected in Table I, showing the earning assets of national banks.

TABLE I
EARNING ASSETS OF NATIONAL BANKS
(In per cent of total earning assets)

Year (June 30)	Loans and Discounts	Securities
1920	75.15	24.85
1921	73.39	26.61
1922	70.26	29.74
1923	70.57	29.43
1924	68.95	31.05
1925	70.53	29.47
1926	70.40	29.60
1927	68.72	31.28
1928	68.88	31.12
1929	70.87	29.13
1930	67.82	32.18
1931	63.07	36.93
1932	56.96	43.04
1933	51.41	48.59
1934	42.18	57.82
1935	42.44	57.56
1936	40.96	59.04
1937	42.08	57.92

Source: Adapted from the Reports of the Comptroller of the Currency.

From this table it is seen that commercial assets in the form of loans and discounts declined from 75.15 per cent in 1920 to 42.08 per cent in 1937, while, conversely, investment assets in the form of securities increased from 24.85 per cent to 57.92 per cent. Even these figures do not show the full extent of this sweeping movement, since the loans and discounts include loans collateralized by securities and by real estate which really represent the extension of investment credit. This general tendency of increasing investment credit has been true of all classes of national banks, for, as of June 30, 1937, the central reserve city banks had 57.86 per cent of their earning assets in securities, the reserve city banks 57.12 per cent and the country banks 58.81 per cent.

The underlying reason for this shift in bank assets has been the change in the methods of business finance. In the post-war period the willingness and ability of the investing public to absorb securities enabled corporations to float an ever-increasing volume of stocks and bonds, and the pro-

ceeds of such sales were applied not only to expand industrial plant but also to reduce bank loans. Thus the unfunded debt of a large group of industrial corporations, notwithstanding the increase in their operations, fell from 13.7 billion dollars in 1921 to 10.8 billion dollars in 1932, while the funded debt rose from 4.8 billion dollars to 10.4 billion, and therefore the ratio of unfunded debt to total debt dropped from approximately 74 to 51 per cent. This change in the financial policy of industry has been reflected in the decline in the amount of commercial paper outstanding in the New York market—from a peak of over a billion dollars in January 1920 to 225 million dollars in June 1938.

Not only did corporations change the source of their external financing, but they pursued a further policy of shifting from financing externally to obtaining funds internally out of their own resources. A large part of industry attained that stage of maturity where earnings were sufficient not only to cover dividend requirements but also to provide surpluses applicable to finance their operations.

A further reason for the replacement of bank funds by capital funds was the change in the managerial policies of industry. In the crisis immediately after the War many firms found themselves burdened with heavy inventories which brought serious losses. As a result of this unfortunate experience industry as a whole entered upon a policy of carrying inventories sufficient only to meet immediate needs. This conservative policy was further facilitated by the rapid improvement in transportation which accelerated the delivery of goods from manufacturers to sellers, and there was thus less need of carrying large stocks to anticipate the requirements of customers. Smaller inventories required less need of short term credit to carry goods.

A CHANGE IN METHOD

IT is frequently maintained that the true function of commercial banking is to supply credit to business enterprise for the purpose of meeting requirements arising in the season of high activity; such credit in turn being liquidated in the period of low activity. However, many lines of industrial activity have been successful in reducing seasonal peaks, and as a result there has been less need of short-term commercial credit. Unquestionably the change in the method of financing has proved satisfactory to industry, since it has been largely freed of the burden of unfunded debt which has been converted either into funded obligations or even into equities. Furthermore, financing through securities has been done at a much cheaper rate than through bank loans.

On the other hand the change in the method of business finance has worked a hardship upon the banks by reducing their net earnings. Another important reason for the decline in bank income has been the changing composition of the investment assets. This change is indicated in Table II.

From this table it is seen that the proportion of holdings of United States Government securities to total securities declined from 1920 until 1930, but since that year there has been a rapid increase in the proportion. This tendency is true of all classes of national banks, and in the case of the central reserve banks the proportion of Government securities to total securities as of June 30, 1931, was approximately 74 per cent, for the reserve city banks approximately 77 per cent and for the country banks approximately 53 per cent. Even these figures, however, do not show the complete extent of the change from corporate to government securities since the item "other" securities includes state and municipal obligations. This transformation in the composi-

tion of the portfolios of banks has been due, not to the conscious policy of the bank officers, but to the decline of business activity and to the increase in Government operations. The Federal Government has been able to finance its operations at an exceptionally low cost, and this condition has worked to the disadvantage of the banks, which by necessity have been forced to buy these obligations. The yield on long-term United States Government obligations at the present time averages 2.30 per cent and on the short-term Government paper the yield has tended to vanish. Thus on over two-thirds of their total earning assets, banks are deriving a very small return. Economic theory generally holds that business enterprise receives a return commensurate with the risk involved in its operation. This theory does not hold true for banking, which is today deriving a return far below the risk actually assumed. Bankers are generally unconscious of the fact that one of the serious dangers confronting them is to be found in their holdings of Government securities. While it is true that the obligations of the Federal Government constitute a theoretically riskless investment, nevertheless the holding of the long-term obligations presents a threat to the solvency of the investing institution in the event of a sharp price decline arising from a hardening of money rates. A study of the Investment Research Bureau of the University of Indiana came to the following conclusions:

- "a. That if credit conditions should cause long-term Governments to sell on a $3\frac{1}{2}$ per cent yield basis as of next April
 1. the $2\frac{3}{4}$'s, 1948-51, would decline from the current price of $104\frac{2}{32}$ to $92\frac{2}{32}$, a decline of $12\frac{3}{32}$ points,
 2. the $2\frac{7}{8}$'s, 1955-60, would decline from the current price of $104\frac{1}{32}$ to $90\frac{2}{32}$, a decline of $13\frac{3}{32}$.
- b. That if conditions should cause these issues to sell on a $4\frac{1}{2}$ per cent yield basis as of next April
 1. the $2\frac{3}{4}$'s, 1948-51, would decline to $83\frac{2}{32}$, a loss of $20\frac{7}{32}$ while
 2. the $2\frac{7}{8}$'s, 1955-60, would drop to $78\frac{3}{32}$, a decline of $25\frac{3}{32}$ points."

Do these unsatisfactory trends represent tendencies which are merely temporary or do they represent long continuing developments? Is there any likelihood that industry will once more return to the practice of financing itself by the traditional commercial loan? It is difficult, by any stretch of the

TABLE II
DISTRIBUTION OF SECURITY INVESTMENTS OF NATIONAL BANKS
(In per cent of total security investments)

Year	United States	Other
	Government Securities	Securities
1920	51.71	48.29
1921	48.70	51.30
1922	53.09	46.91
1923	50.88	49.12
1924	45.68	54.32
1925	43.69	56.31
1926	39.65	60.35
1927	39.98	60.02
1928	42.09	57.91
1929	40.24	59.76
1930	37.35	62.65
1931	44.05	55.95
1932	49.57	50.43
1933	56.74	43.26
1934	66.56	33.44
1935	64.55	35.45
1936	66.02	33.98
1937	67.79	32.21

Source: Adapted from the Reports of the Comptroller of the Currency.

imagination, to conceive that industry will turn to the old type of commercial loan. Industry, having once freed itself from the Damocles sword of unfunded debt, will not revert to this form of financing. Furthermore, there is little need of returning to the traditional form of commercial loan, since large scale American business finds itself in possession of adequate working capital.

A decline in commercial lending by banks to industry in the past has not been accompanied by a concomitant increase of bank holdings of industrial bonds—a development which might have been expected in view of industry's change from short-term to long-term financing.

An analysis of the corporate bond investments of national banks indicates as of June 30, 1937, 17.2 per cent in rails, 16.3 per cent in utilities and 12.7 per cent in other domestic corporations in the sense of industrial companies. This small proportion of industrial bonds is largely the result of a traditional prejudice against this type of security. While this opposition may have had justification in a past day, when industry was overcapitalized and had uncertain earning power, it no longer holds today.

While the financial position of large industrial corporations has improved and their obligations have attained a higher credit, unfortunately the total volume held by the banks is relatively small. Banks might well purchase the bonds of large industrial corporations to a greater extent than they have in the past. It is even more important, however, for the interior banks to finance the needs of middle-sized corporations. Throughout the United States there are many middle-sized corporations whose financial position compares favorably with that of large-scale corporations. These middle-sized corporations are unable to float their securities on the national capital market.

A BANKING OPPORTUNITY

BANKS could aid these middle-sized corporations by granting capital loans. The maturity of a capital loan may range from five to 15 years. Such loans may be issued serially, and the shorter maturities could be retained by the banks while the longer maturities could be sold to private or, more likely, to institutional investors. The bank granting a capital loan should see that the proceeds are applied to strictly productive purpose, such as furnishing working capital or providing for plant expansion. Care should be taken by the bank to see that the funds are not applied to unproductive purposes, such as speculating in commodities or real estate ventures. Experience shows that in the case of an industrial corporation the pledge of property does little to strengthen the underlying safety of a loan. Therefore, a capital loan should not be based on property as security. Fundamentally the credit of a capital loan granted by a bank to a business should rest on the earning power of the business as tested by the experience of recent years. The adequacy of such earning power and not the margin of pledged property gives assurance of the repayment of a capital loan at its maturity.

Capital loans are subject to certain obvious limitations particularly as to liquidity and safety. It may be argued that a bank, since its liabilities are essentially payable on demand, must hold only liquid assets. It is essential that liquidity be considered in the sense of shiftability or the ability of transferring an asset to another party willing to take it over. The Banking Act of 1935, in recognition of the necessity of providing more liberal reserve credit facilities, permitted the Federal Reserve banks to grant advances on acceptable assets for limited periods of time. If capital loans extended by

the banks are based on sound underlying credit, there is little doubt that they will be considered acceptable as a basis for the granting of advances to member banks. As yet the policy of the Reserve banks in actually granting such advances has not been fully formulated and the granting of capital loans must wait until the Reserve authorities define their attitude as to advances on such assets.

INVESTMENT CREDIT

THE granting of capital loans involves a degree of risk. Fundamentally this risk can best be reduced by the improvement of the study of investment credit. In the past, banking has made rapid progress in developing the technique of studying commercial credit, and the commercial credit departments of American banks have reached a higher stage of perfection than is found in any other country. Unfortunately, however, the science of extending investment credit, particularly to industry, has made little progress and the field is still largely unexplored. It is therefore essential for banking to improve the methods of analyzing investment credit and to establish more accurate standards for testing such credit. Notwithstanding the most careful study by the banks, a certain degree of risk in the granting of capital loans to industry cannot be eliminated. It is therefore essential for the banks to increase the amount of their own capital to meet possible losses arising from capital loans. In the past, too large a proportion of bank funds have come from depositors, and in the future it is essential that a larger proportion be obtained from stockholders. The raising of such funds, now almost impossible because of the small earnings of banks, will be more likely in view of the possibilities of greater profit to be derived from expanding operations. Finally, in view of the fact that such capital loans will serve the larger purpose of increasing economic activity, and will redound to the benefit of all classes, the Government itself could well establish some system of sharing the risks involved. This end could be accomplished through an insurance system which would give the banks a partial indemnification in the event of losses arising out of capital loans. Under such a system the Government would, of course, have the right to establish minimum standards of credit.

A generation ago the Federal Government began the gradual process of taking over from the banks the function of supplying long and short term credit to agriculture, and today this important field of economic activity is, to a large extent, financed by the Government. True, the banks, in purchasing the obligations of the Federal Government, are indirectly supplying the funds, but their rôle is purely passive. Today the banks again stand at the crossroads. Will they similarly permit the Government to take over the financing of industry? Will they again indirectly supply the funds through augmenting their already excessive holdings of Government bonds? Will they again follow a passive rôle in the distribution of their own funds? In view of the imminence of direct Government financing in the railroad and utility fields, will the banks idly permit the Government to take over the financing of the last field of economic activity yet untouched by Government credit? Will the banks operate merely as investment trusts mobilizing the savings of the community for the Government? Or will they seize the opportunity of financing industry in this critical period by extending funds directly and assuming an active part in the rebuilding of American economic life? America today is confronted with the choice between public and private capitalism, and in a measure the decision rests with the bankers.

The Year

News from Home

THIS year to date has offered the news observer as great a variety of topics as he could wish. Within our own borders alone we have had a "recession," numerous strikes in many lines of industry, a session of Congress with a record for spending, an unprecedented number of Congressional investigations and a series of bitterly contested primaries; and on the brighter side some remarkable records in aviation; a spectacular rise in the markets, and definite signs that everyone is growing tired of some six-year-old problems. A few high points are pictured on the following pages.



WIDE WORLD

BILLIONS. The session of Congress which opened (above) on January 3 lasted until June 16 and spent \$12,000,000,000



HARRIS & EWING

JUDICIARY. In February President Roosevelt made his proposal for a change in the judicial branch of the Government. Hearings were held (left) and the Administration bills were defeated

UTILITIES. Progress was made in ironing out the differences between the TVA (Director Lilienthal, below, left) and private systems (below, right, Wendell L. Willkie, president, Commonwealth and Southern). The holding company "death sentence" went into effect



WIDE WORLD

EXPROPRIATION. The Mexican government took over all natural resources owned by foreigners, in accordance, it was stated, with a law passed several years ago. Below, a crowd in Mexico City carrying a coffin painted with the name of a foreign oil company



WIDE WORLD

November 1938



HARRIS & EWING

REORGANIZATION. The President's effort to realign Government bureaus was stopped in the House, one of the leading members of which, Representative O'Connor, is shown above opening letters protesting the plan



WIDE WORLD

WALL STREET. On May 16 William McC. Martin, Jr., became head of the New York Stock Exchange. Other changes were made in the Exchange



WIDE WORLD

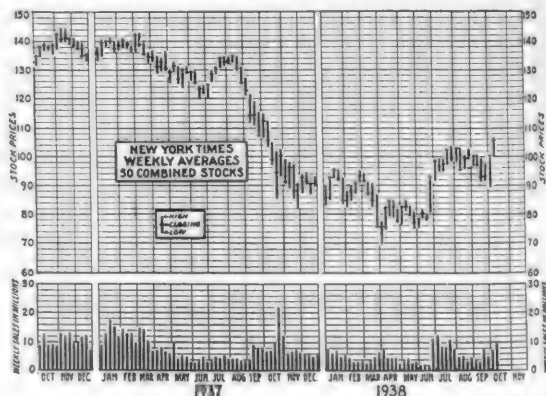
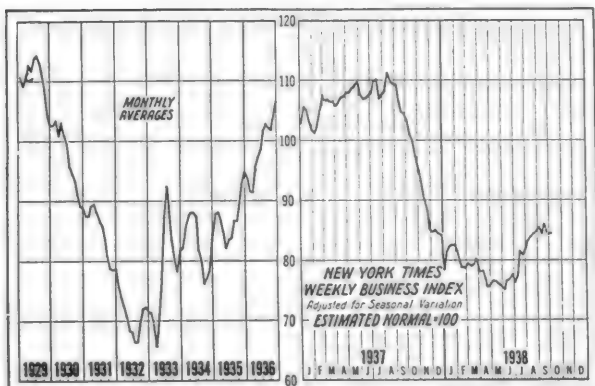


WIDE WORLD

LABOR. Strikes of the last few months have varied in industry and place from a fur worker's walkout in New York to a longshoremen's strike on the West Coast. Above, state trooper on guard at a Pennsylvania mill

WAGES, HOURS. On October 24 there went into effect the Fair Labor Standards Act. Left, reporters with Senator Elbert Thomas, Chairman, Education and Labor Committee

BUSINESS INDICES. While charts show that business began an uptrend early in June, the exchanges appeared to foreshadow the movement in early April. The most spectacular improvement in exchange sentiment took place during the last weekend in June





BANKERS AT SCHOOL. A notable development in this field was the widespread desire of bankers to go back to the classroom for discussion and re-examination of their problems. *Left*, the North Carolina Bankers Conference held in July

ROUND THE WORLD. Howard Hughes and his crew made a world girdling airplane record about the middle of July, when they completed the trip from New York to New York in 3 days, 19 hours, 17 minutes. *Right*, the plane as the flyers disembarked at the end of their trip



WIDE WORLD



HARRIS & EWING

DISSENSION. The C.I.O. leader, Mr. Lewis (*left*), and the A.F.L. head, Mr. Green (*right*), together with their embattled followers, engaged in a jurisdictional argument; industry and the public have been the chief losers so far



HARRIS & EWING

CAPITALISM. The Temporary National Economic Committee, usually known as the Monopoly Committee, is undertaking a broad study of some American business practices (see **BANKING** for September and October). *Right*, members seated are Borah, Oliphant, King, O'Mahoney, Sumners, Arnold, Eicher; standing, Patterson, Ferguson, Douglas, Lubin, Reece



U. S. G.



INTERNATIONAL



WIDE WORLD



INTERNATIONAL

Wars and Rearmament

Every major country which has not lately engaged in a war has been preparing for one. On these pages are some data showing the situation 20 years after the Armistice. The figures are from recent estimates in the press

Left, Madrid after a bombing. Spain has been a convenient laboratory for some of her neighbors. Reliable estimates of Spanish losses are not available. *Below*, an ammunition depot on France's Maginot line. In mid-September France had almost 6 million trained soldiers, was spending about \$1,000,000,000 on defense in 1938



WIDE WORLD

Left, Italian field artillery. Italy is said to have almost 7 million trained men and to be spending half a billion dollars on armaments. *Below*, a familiar sight in Germany. Here tanks are parading before Hitler. Germany is said to have about three and a half million trained men (including Austrians) and to be making armament expenditures of 4 billion dollars



WELTBILD

Left, Russian soldiers. Faced with the necessity of guarding two frontiers, Russia, it is said, has trained 12 million men for service. Her expenditures are supposed to exceed 5 billion dollars this year



Above, a new anti-aircraft gun of the British forces. The Empire's standing army and reserves are estimated at 10,000,000, and the current expenditures of Great Britain alone, 17 hundred million dollars

Right, a street scene in Palestine, where Britain recently had over 20,000 soldiers, together with artillery and armored cars. Embattled Arabs and Jews made the most of Europe's September and October preoccupation

Right, the China "incident" continues. No one knows what China's manpower resources are, but her 1938 expenditures are supposed to be in the neighborhood of \$95,000,000

Japan's expenditures for armaments are estimated to account for about a tenth of the world total in other words, about \$1,750,000,000. This is the burden of a country whose population is about 70,000,000



HARRIS & EWING

The chief effects of rearmament in the United States are being felt by industries that sell materials abroad. However, the national defense program has been speeded up all along the line. *Above*, Navy Department drafting room



WIDE WORLD



WIDE WORLD

November 1938

Peaceful Progress

INDUSTRIAL research has a habit of going on in spite of wars and politics. New building materials, faster transportation, better communications and discoveries in chemistry have all been part of this year's progress. On these two pages are some representative high spots.



PICTURES ABOVE AND BELOW FROM SOZIO. COURTESY LIBBEY-OWENS-FORD

Left, casting hall in a modern glass factory, where molten glass is rolled out into sheets of any desired thickness. Recent developments that are constantly being improved upon are glass cooking utensils (even frying pans), glass brick, other building materials including wall tile, safety glass, fabric and insulation materials



*Below, a trans-Pacific clipper. The year has witnessed progress toward the inauguration of regular trans-Atlantic schedules by British, American and German companies. Germany is building another giant airship to take the place of the *Hindenburg*. Blind flying is being perfected, and a new type altimeter that warns pilots of obstacles to flight has been recently tested*





Faster schedules and more commodious planes are the rule on the country's airways



HARRIS & EWING



WIDE WORLD

Above, left, a television broadcast. Receiving sets can now be bought in department stores. Above, right, the planting of seeds in a soilless garden. The science of hydroponics has attracted wide professional and amateur interest

Below, three 47,000-horsepower locomotives of the latest streamlined design



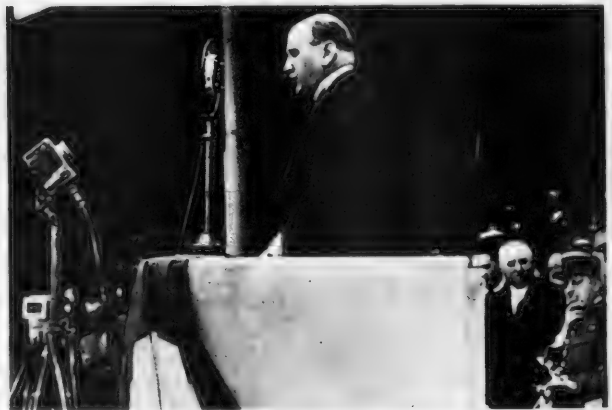
GLOBE

Abroad



Much that has recently happened in Europe is represented in the picture above, taken in front of No. 10 Downing Street in 1935. Mr. Eden (second from right), who became foreign secretary late in that year, resigned last February because of what he considered the weak policy of Prime Minister Chamberlain (at left) toward the dictator governments. Last Summer, in an effort to ease the tension in Central Europe, Mr. Chamberlain sent Lord Runciman (second from left) to Czechoslovakia. Later he made two hurried trips himself, the second time to attend the Four-Power Parley at Munich. Sir John Simon is at the right

Right, Edouard Daladier, Premier of France, who is said to have suggested to Mr. Chamberlain the efficacy of a face-to-face talk with Hitler. He participated in the Munich conference



Right, tangible evidence of Anglo-French solidarity was given by the visit of King George and Queen Elizabeth to France last Summer. Representatives of the general staffs of the two countries have also gone back and forth across the Channel

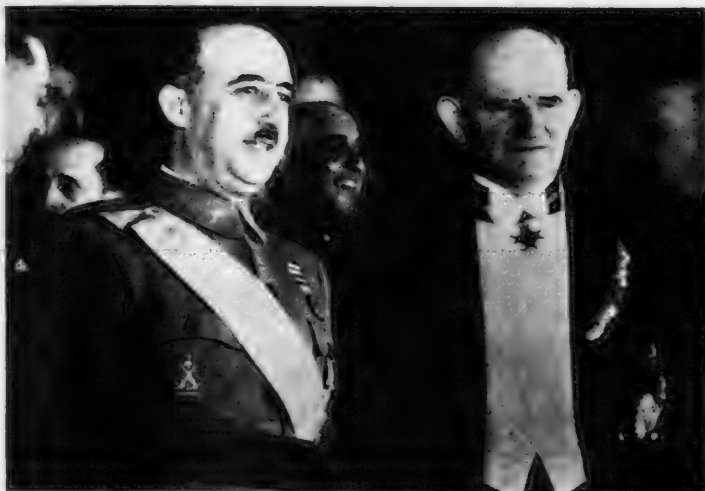


Right, the Rome-Berlin axis in person. This picture was taken recently in Munich, when the northern end of the axis had come to carry the most weight



INTERNATIONAL

Below, General Franco (left), Insurgent leader of Spain, with the German ambassador to his government. German and Italian aid to the Franco forces was given in considerable volume during most of the year, but its extent was not known. Italian aid to Franco was the chief bone of contention between Italy and England



INTERNATIONAL



SOVfoto

Above, Josef Stalin, head of the Russian government, has been so engrossed in the original Russian version of the "purge" that his country has had little influence in recent European councils. His attention has also been distracted by incidents along Russia's eastern border



INTERNATIONAL

Seemingly aloof from European turmoil is the peaceful, business-like Kingdom of the Netherlands, where Queen Wilhelmina has lately celebrated the 40th year of her reign. At the left, Crown Princess Juliana, the Queen and Prince Consort Bernhardt

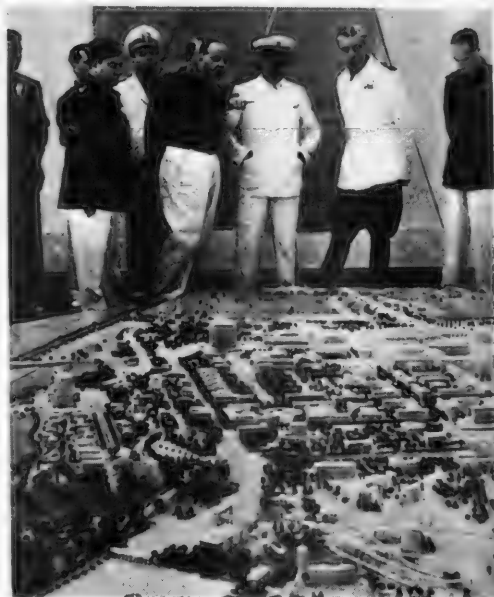
World's Fairs



Both New York and San Francisco are preparing world's fairs for 1939. Above is a model of the fair as it will appear in New York, much of the construction of which has already been completed. The administration building appears above at the right



Among foreign countries looking forward to world's fairs is Italy, where an exposition in 1942 will celebrate Mussolini's 20th year of government



The model below represents the completed San Francisco fair, which is being set up on a man-made island in San Francisco Bay. Banks throughout the country have set up world's fair savings clubs and are installing other services that will aid their customers to attend one or both of these expositions

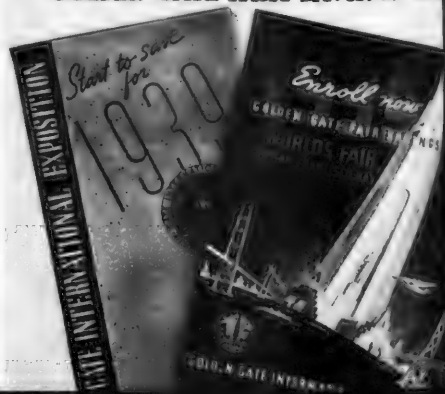


an *Opportunity* for your Bank

- to cooperate with your own Golden Gate International Exposition
- to build good will and good business

Sponsor a

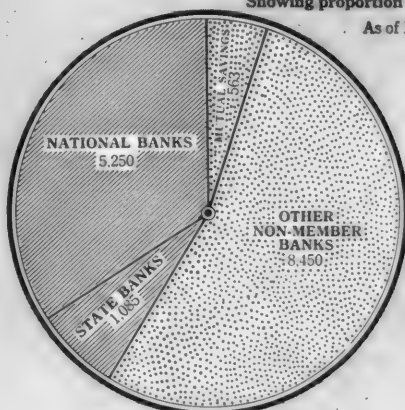
GOLDEN GATE FAIR SAVINGS CLUB



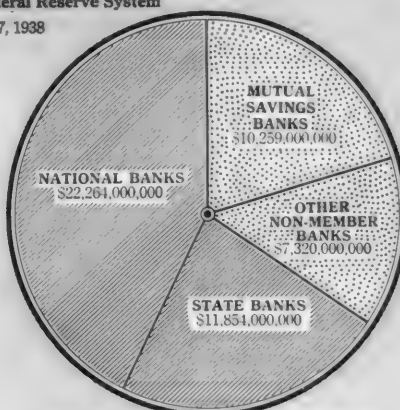
The Banking Picture

NUMBER OF U.S. BANKS AND TOTAL DEPOSITS

(Excluding Possessions)
Showing proportion in Federal Reserve System
As of March 7, 1938



NUMBER OF BANKS - 15,349



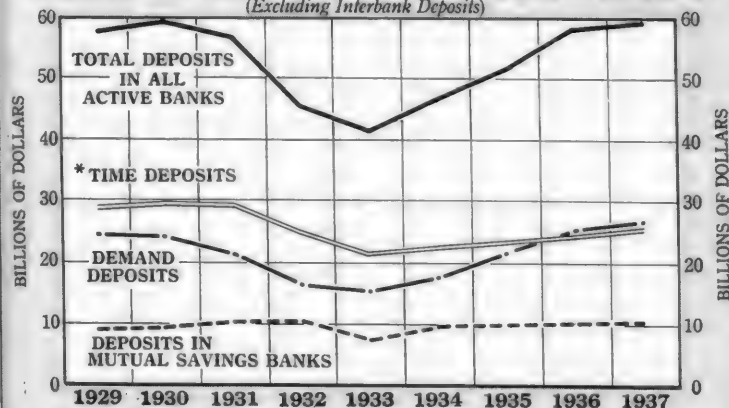
TOTAL DEPOSITS - \$51,697,000,000
(Excluding Interbank Deposits)

Federal Reserve Member Banks Non-member Banks

SOURCE: June, 1938, Federal Reserve Bulletin

TREND OF U.S. BANK DEPOSITS 1929 - 1937

(Excluding Interbank Deposits)



* Include Postal Savings

SOURCE: Comptroller's Report, 1936 & 1937

NO. OF BANKS AND DISTRIBUTION OF ASSETS, BY STATES

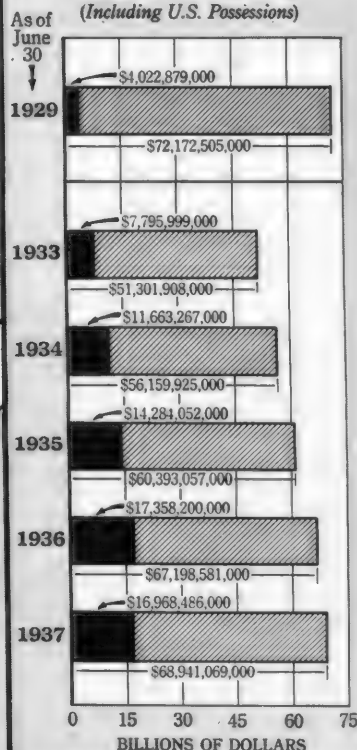
As of December 31, 1937



SOURCES: 1 National Banks - Abstract of Reports of Condition of National Banks
2 State Banks - Abstract of Reports of Condition of State Banks
State Bank Division Profit Sheets

ASSETS OF ALL ACTIVE BANKS AND PROPORTION REPRESENTING U.S. GOVERNMENT SECURITIES 1929 AND 1933-'37

(Including U.S. Possessions)



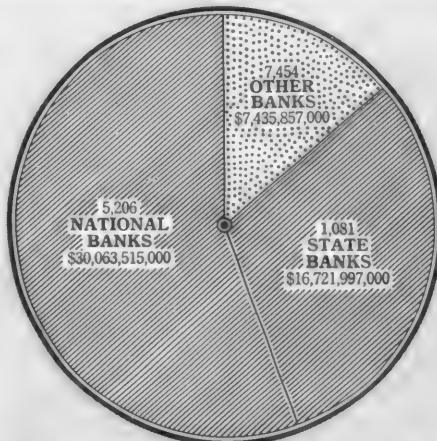
U.S. Government Securities in Total Assets

SOURCE: Comptroller's Report, 1937

Edward Williams Co., N.Y.

DISTRIBUTION OF ASSETS AMONG CLASSES OF COMMERCIAL BANKS IN U.S. AND POSSESSIONS AFFILIATED WITH THE FEDERAL DEPOSIT INSURANCE CORP.

As of December 31, 1937



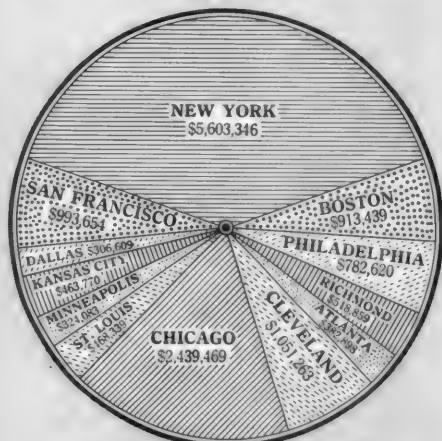
TOTALS - 13,795 BANKS - ASSETS \$54,221,369,000

Legend: Federal Reserve Member Banks (hatched), Non-member Banks (dotted)

SOURCE: Federal Reserve Bulletin, May, 1938

DISTRIBUTION OF ASSETS AMONG THE 12 FEDERAL RESERVE BANKS

As of August 24, 1938

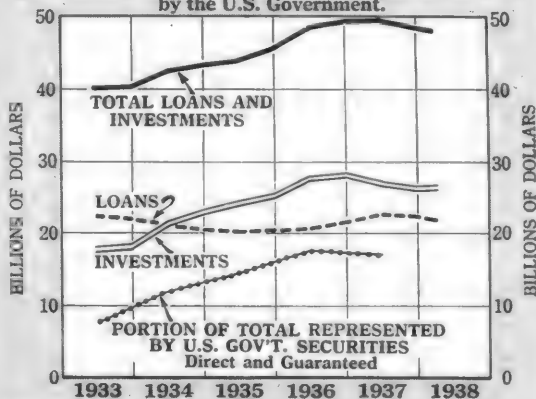


TOTAL ASSETS - \$14,248,349

All figures are given in Thousands of Dollars

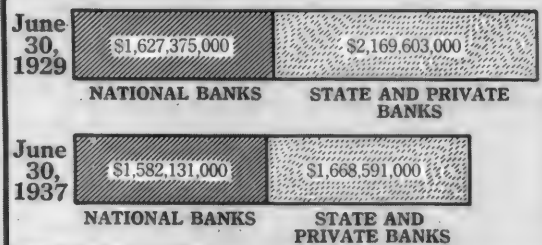
SOURCE: Federal Reserve Bulletin, Sept. 1938

TREND OF LOANS AND INVESTMENTS and of that part of the total represented by direct government obligations and securities guaranteed fully by the U.S. Government.



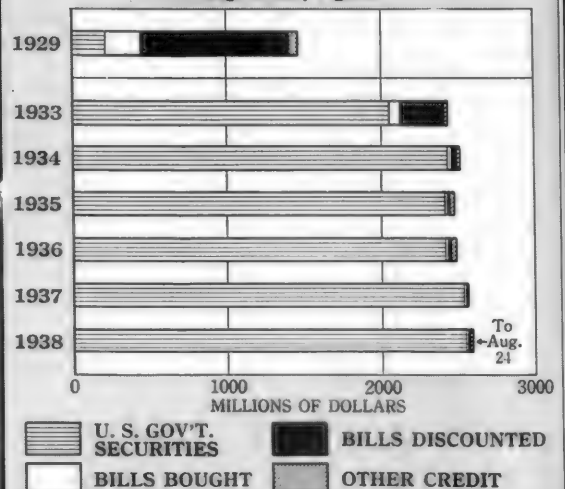
SOURCE: Federal Reserve Bulletin, June, 1938

CAPITAL OF ALL ACTIVE BANKS June 30, 1929 and June 30, 1937 by classes of banks



SOURCE: Comptroller's Report, 1937

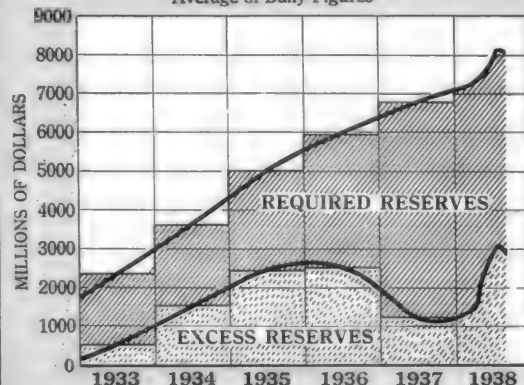
RESERVE BANK CREDIT OUTSTANDING and proportion representing Government securities, bills bought, bills discounted, and other credit Average of Daily Figures



SOURCES: Federal Reserve Bulletins, May & Sept. 1938
Comptroller's Report, 1936

Edward Writts Co. N.Y.

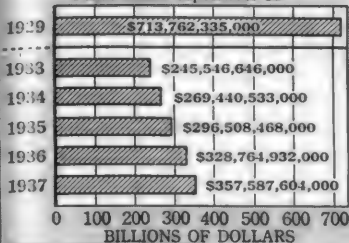
RESERVE BALANCES OF FEDERAL RESERVE MEMBER BANKS Average of Daily Figures



SOURCE: Federal Reserve Bulletins, May & Sept. 1938

CLEARINGS AT ALL U.S. CLEARING HOUSES, 1929 AND 1933-'37

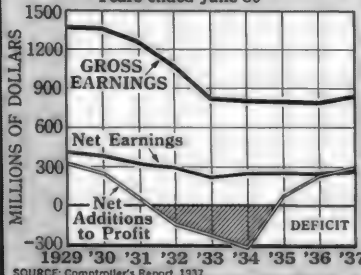
Years ended September 30



SOURCE: Comptroller's Report, 1937

EARNINGS AND PROFITS OF NATIONAL BANKS, 1929-'37

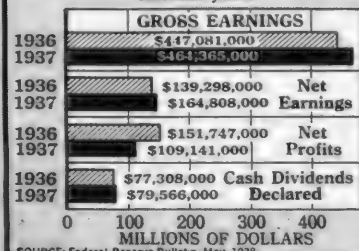
Years ended June 30



SOURCE: Comptroller's Report, 1937

EARNINGS AND NET PROFITS OF STATE BANKS MEMBERS OF FED. RES. SYS., 1936 & 1937

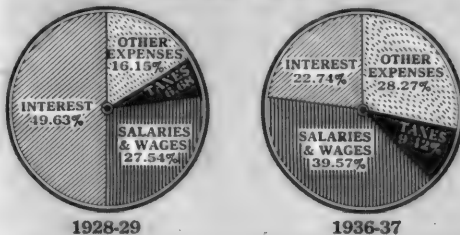
Calendar years



SOURCE: Federal Reserve Bulletin, May, 1938

TAXES AND OTHER EXPENSES OF NATIONAL BANKS, 1928-29 AND 1936-37

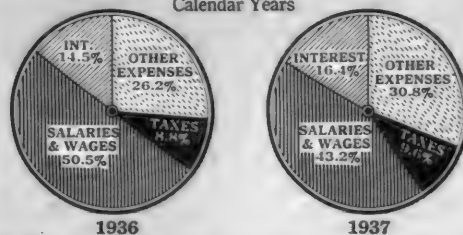
Years ended June 30



SOURCE: Comptroller's Report, 1937

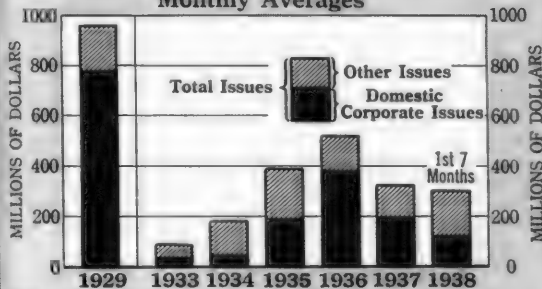
TAXES AND OTHER EXPENSES OF STATE BANKS, MEMBERS OF THE FED. RES. SYS. 1936 AND 1937

Calendar Years



SOURCE: Federal Reserve Bulletin, May, 1938

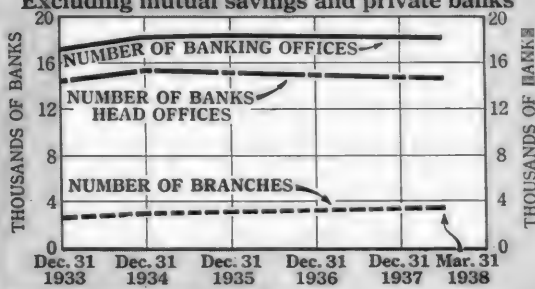
CAPITAL ISSUES Monthly Averages



SOURCE: Federal Reserve Bulletins, May & Aug., 1938

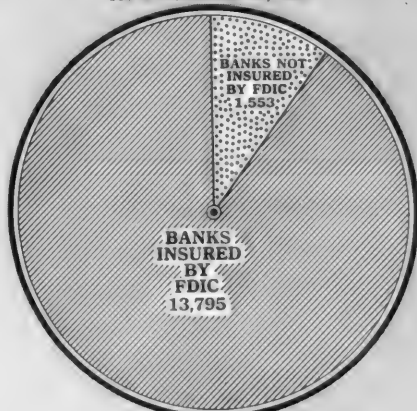
TREND OF BRANCH BANKING, 1933-37

Excluding mutual savings and private banks



SOURCES: Federal Reserve Bulletins, Mar. 1938 & June, 1938

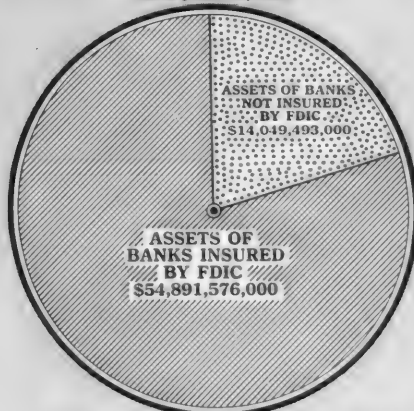
NUMBER OF BANKS WITHIN AND WITHOUT THE FEDERAL DEPOSIT INSURANCE CORP. (Excluding U.S. Possessions) As of December 31, 1937



TOTAL NUMBER OF BANKS IN UNITED STATES
15,348

SOURCES: Federal Reserve Bulletin, June, 1938
FDIC Call Report of Dec. 31, 1937

TOTAL ASSETS OF BANKS WITHIN AND WITHOUT THE FEDERAL DEP. INS. CORP. (Including U.S. Possessions) As of June 30, 1937

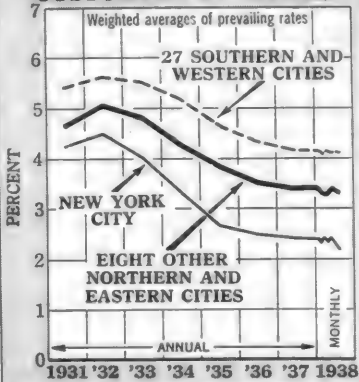


TOTAL ASSETS OF ALL ACTIVE BANKS IN UNITED STATES AND POSSESSIONS
\$68,941,069,000

SOURCES: Federal Reserve Bulletin, May, 1938
Comptroller's Report, 1937

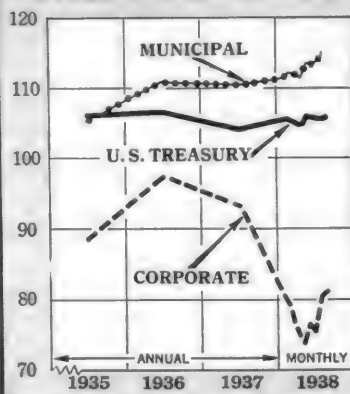
Edward Wilms Co., N.Y.

INTEREST RATES CHARGED CUSTOMERS BY BANKS



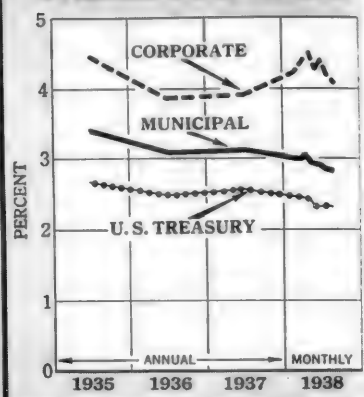
SOURCE: Federal Reserve Bulletins, May & Sept. 1938

AVERAGE BOND PRICES



SOURCE: Federal Reserve Bulletins, May & Sept. 1938

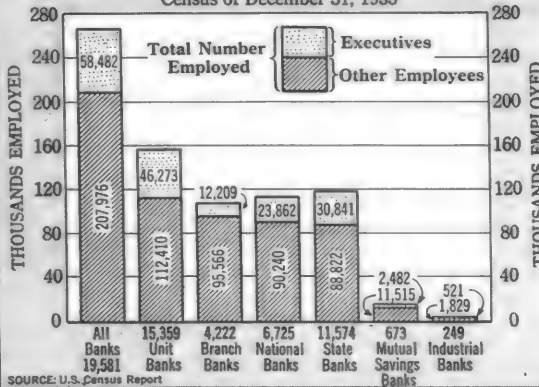
AVERAGE BOND YIELDS



SOURCE: Federal Reserve Bulletins, May & Sept. 1938

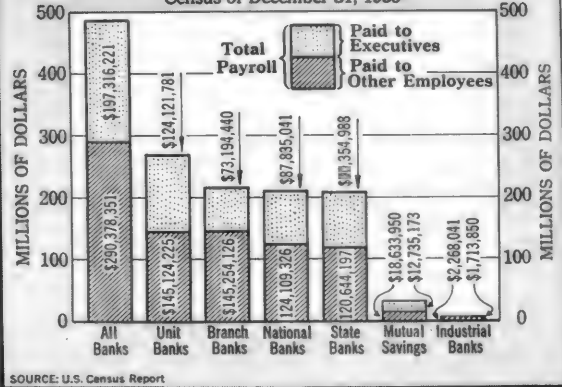
EMPLOYMENT BY TYPES OF BANKS

Census of December 31, 1935



PAYROLLS BY TYPES OF BANKS

Census of December 31, 1935



DISTRIBUTION OF BANKS, BANK EMPLOYEES AND PAYROLLS BY GEOGRAPHIC DIVISIONS

Census of December 31, 1935



Recordak

**COMPLETES THE TWO BIGGEST
YEARS IN ITS HISTORY**

A fitting climax to a decade of progressive achievements in bank operation and departmental economy

THE ten-year span just completed carried Recordak through successive steps of creation, pioneering and development to well-earned leadership in the advancement of modern bank operations. Its first decade of progress closes with the two biggest years in its history.

Thousands of installations in banks in this country and abroad...billions of records protected by the unfailing accuracy of photography. That is the success story of Recordak, the photographic accounting system that serves bank management with faster, surer, lower-cost methods...and depositors

with a degree of protection and safety not possible with any other system.

Earlier this year the latest model, Reversible Recordak, was introduced to meet the demand for a high speed, heavy production unit for larger organizations.

In December will come announcement of Recordak Junior...bringing to even the smallest bank every advantage, every protection, every safeguard now enjoyed by the world's largest institutions. Watch for this important announcement. Recordak Corporation (Subsidiary of Eastman Kodak Co.), 350 Madison Ave., New York, N. Y.

RECORDAK

Photographic Accounting Systems

THOSE WHO MUST SELL WHAT THEY BUILD SELECT ANTHRACITE FOR HEATING



● FOR 110 NEW HOMES IN
SPRINGFIELD, LONG ISLAND.. M & M
BUILDING CORPORATION SELECTS
ANTHRACITE HEATING EQUIPMENT

FINANCIAL INSTITUTIONS carrying mortgages on property realize that year after year heating cost is even more important to the home owner than original equipment cost.

They know that low annual upkeep cost gives a measure of insurance that the property owner will be able to meet his interest and carrying charges.

The builder of the above illustrated homes says: "My experience in building this type of home definitely shows that it is cheaper to heat them with Anthracite than it is to heat them with oil."

Anthracite is the one fuel which will provide this economy without sacrificing comfort and convenience.

The book, "Modern Anthracite Equipment," describes the newest developments in automatic heat and air conditioning. A copy will be sent upon request.

ANTHRACITE INDUSTRIES, INC.

Chrysler Building, New York



*This Seal of Approval
appears on Anthracite
equipment only after it
has passed the most rigid
tests in the heating field.*

Pennsylvania
ANTHRACITE
COAL

THE MODERN FUEL FOR SOLID COMFORT

Spending and Lending by Banks

Supplies and Material

By E. S. WOOLLEY

MR. WOOLLEY, a regular contributor to *BANKING*, is an authority on practical banking problems.

MANY words have been written, and even more have been spoken, on the subject of how purchasing power can be increased. It has long been one of the proposed objectives of politicians. This has been particularly true during the recent "depression years".

In fact "business", which after all is purchasing power, occupies the thoughts of a very large percentage of people during their waking hours. The salutation "How's business?" has become almost as commonplace as the more conventional "How do you do?". And certainly there is more sense to the question.

Actually, however, business is nothing but a "ring-around-the-rosy". Everybody buys from Somebody else. Therefore, when Somebody else curtails buying, Everybody is forced to follow suit, and a business depression results.

Conversely, when even one major branch of business starts buying, others have to do the same. Nothing can affect one business that is not felt to a greater or less degree by all others.

There is just as much money and just as much wealth in the country during periods of bad business as there is during periods of good business. But Somebody has lost confidence and curtailed his buying. Then, like the ripples from a stone thrown into the water, this loss of confidence has spread in an ever widening circle until all business has been engulfed.

And so it is with the return to good business. It starts and grows as confidence grows.

Banks have been accused of not contributing their share to the return of this confidence through their withholding of both lending and spending. It is interesting to note, therefore, the different kinds of commodities that banks buy, and the amount they thereby contribute to the purchasing power of the nation.

Contrary, perhaps, to the opinion held by the proverbial man-on-the-street, the banks of the country are very large purchasers of many different kinds of commodities. There are, unfortunately, no actual figures in existence, but in order to arrive at a fair approximation of what banks' purchases amount to each year, *BANKING* sent a questionnaire to all commercial banks located in cities with a population of 4,000 or over.

The questions asked the amount of purchases in the different commodities during 1938—a "depression" year. From the 4,903 such questionnaires sent out, 1,044 replies were received. The figures used herein are projected from those answers, but, in projecting them, the mutual savings banks were not included. If the figures err, they err in understating rather than overstating the total amount of bank purchases.

A gross expenditure of over 800 million dollars has been made possible by the commercial banks in one way or another towards increasing employment in the different branches of the building industry.

In their lending field they have financed at least 118,127 new construction jobs the average assessed value of which is \$4,866 each, or a total of 550 millions of dollars. This figure would be increased by many millions of dollars and thousands of new construction jobs by the inclusion of facts covering the activities in the mutual savings field. The average building improvement loan of \$380 has been made to 447,327 borrowers during the year. This is another 178 million dollars.

Banks themselves have spent 21 million dollars on the maintenance and repair and about 19 additional millions on the improvement of their own bank buildings.

Included in this latter figure is the air-conditioning which has been installed in some 468 banks and the improved lighting facilities with which about 330 banks have been equipped. But it does not include the expenditures made on the 60,000 or more separate pieces of "other real estate" which the commercial banks of the country own. Expenditures of that nature are always necessary to put such premises into rentable or saleable condition, and in 1938 alone will total over 14 million dollars. Here, as elsewhere in this survey, only commercial banks are reported upon.

AID FOR THE BUILDING INDUSTRY

IT is readily seen, therefore, that the many millions of dollars by which banks have "primed the pump" of the building industry during this depression year have been a very considerable factor in keeping thousands of carpenters, plumbers, bricklayers, etc., at work and off the taxpayers' payroll.

The printing industry has received over 27 million dollars' worth of orders for stationery and supplies directly from banks. Indirectly the business of banking has been responsible for many times this amount circulating through the business of printing. But even their direct expenditures have provided a living for many employed in the printing and allied trades.

The expense of telephone and telegraph is a minor one on the profit and loss statement of banks. Yet banks spent over 4½ million dollars on long distance telephones and telegrams. It is because such means of communication are used extensively by "big business", that the average citizen can afford to avail himself of these facilities. In Europe the rates for such services are much higher.

By the end of 1938, banks will have spent over 10 million dollars in sundry office equipment. They will have bought 2,700 typewriters, 2,146 adding machines, over 1,500 check writers and protectors, about 3,000 posting and bookkeeping machines, 300 duplicating and calculating machines, 684 safes, 510 coin counters, and 2,248 filing cabinets.

Banks Have "Problem-Children," Too!

Facts About a Service You May
Recommend to Special Accounts

WE believe that many manufacturing situations exist, which for one reason or another are not at present eligible prospects for bank loans. These situations might well find in our service the answer to the problem.

We are Factors. We buy at face value a manufacturer's invoices against his customers. Since we take all the credit risks, we pass on all the credits, make all the collections, and do most of the accounting.

Our resources being far greater than those of any client, and our credit information so much more complete, we generally expand, rather than limit, his possibilities for selling.

In order that you may know how we could help in problem cases that come to your attention, we ask the privilege of presenting the essential facts of our service.



TEXTILE BANKING COMPANY

55 Madison Avenue, New York

Affiliated with Commercial Credit Company, Baltimore • Capital and Surplus Over \$65,000,000

NEW ENGLAND REPRESENTATIVE: EDMUND H. LELAND, CHAMBER OF COMMERCE BUILDING, BOSTON, MASS.

November 1938



Correspondent Banks and Commercial
Ledger Department

Transit
Department

CAPITAL \$3,040,000 SURPLUS \$5,000,000.

CENTRAL-PENN NATIONAL BANK

OF PHILADELPHIA
SEVENTH AND CHESTNUT STREETS.
ARCHIE D. SWIFT, PRESIDENT
PHILADELPHIA

BRANCHES
FIFTEENTH AND SANSON STREETS
BROAD STREET AND PASSTUNK AVENUE
BROAD AND CAMBRIA STREETS

National Cash Register Company
Dayton
Ohio

Gentlemen:

The results which we have obtained from National equipment have been most satisfactory.

At present, we are using National machines in our Savings Department, Transit Department, and Correspondent Banks and Commercial Ledger Department.

Since the installation, in 1937, of National Bank Bookkeeping Machines on our commercial accounts, considerable work formerly done in the Analysis Department has been eliminated, resulting in a saving of clerical time and also giving us a more complete record.

With best wishes, we are

Very truly yours,

Thomas G. Conklin
Thomas G. Conklin
Cashier

TGC:AG



Savings Department

Results:

SAVING OF CLERICAL TIME • MORE COMPLETE RECORDS

There are National Machines for handling, speedily and accurately, all banking transactions. The local National representative will be glad to give you a demonstration.

The National Cash Register Company

DAYTON, OHIO

Cash Registers • Accounting Machine Desks
Typewriting-Bookkeeping Machines
Posting Machines • Analysis Machines



Check-Writing and Signing Machines
Bank-Bookkeeping Machines
Postage Meter Machines • Correct Posture Chairs

Equipment Progress

By BERT H. WHITE

MR. WHITE, vice-president of the Liberty Bank, Buffalo, writes frequently for *BANKING* on industrial research activities.

LEAN interest rates have caused the 1938 banker to streamline. Faced with lower operating income, he has been taking more than a glance at his cost of current operation. Not that the successful banker has not at all times kept one eye well cocked toward operating expenses; but today there are new problems, not the least of which is how to keep the budget in balance. The worst business depression in American history, followed by five years of relentless political baiting, has given the American banker ample cause to meditate and take stock. We can well depend on his ability to work things out and think things through.

In this effort to cut his cloth in keeping with the times, the banker has had the assistance of an army of unseen partners. In the research laboratories of the big American office equipment and supply companies, an endless search has been going on for better ways and means to handle the staggering volume of routine that passes through the American banking system. Day in and day out, these newer developments are doing their part towards making a bit more of gross available for net.

Executives interested in improving their business realize that their judgment is limited only by their information. With this thought in mind, a survey has been made to determine what is coming along from the laboratory and what is being adopted in the bank equipment field.

The Burroughs Adding Machine Company has brought out a new high-speed bank posting machine, which introduces two new developments with a direct bearing on profitable bank management. This new machine makes it easy to record information on account activity so that it is possible to establish a fair, accurate, and easily explainable basis for making service charges. With a ledger of the type created on this new Burroughs, it is possible to tell at a glance whether any of the balance on any account is composed of uncollected funds.

Common complaints against proof department operations in large banks center around their inability to meet changing conditions, their high cost, the inefficient handling of items, and a routine so complicated that the services of highly trained specialists are required. Designed to meet these objections, the new Burroughs simplified proof plan is pointing the way to a new trend in the operations of bank proof departments.

With instalment loan departments rapidly becoming standard in banks, the problem of handling this class of accounting record efficiently is of vital concern. Burroughs has also developed a new instalment receipting machine which not only satisfies requirements of speed and low cost, but also furnishes mechanical protection over every transaction. It reduces instalment loan accounting to a simple procedure handled entirely in the teller's cage.

L. C. Smith Corona Typewriter offers a new super-speed L. C. Smith typewriter with ball bearing action and floating shift. The 1938 world's speed championship was won on this machine—and speed saves money for both bankers and business men.

The 1939 Royal typewriter will be dramatically different

from any other writing machine. It will be the first typewriter completely enclosed, completely protected from dust and dirt.

International Business Machines' research laboratory recognized the need for a machine that would sort, list and prove checks. The I.B.M. proof machine does that job. It has given the banks an economical, mechanical control of all the phases of checkhandling.

The varied ways in which banks are making profitable use of the International electric bookkeeping and accounting machines with the use of punched cards could only be described adequately in a special article. With this method, banks are able to supply automatically the increasing amount of information required by clients, by taxation and other governmental authorities, and by their own operating divisions. All necessary ledger entries and reports are speedily made from but a single recording of any transaction. One of these machines is capable of arranging or rearranging cards in any desired sequence at the rate of 12,000 cards per hour and will automatically replace each card in its proper sequence in the filing system. While the International electric bookkeeping and accounting method is most widely used in personal trust accounting, it is also being adapted by an increasing number of banks to many additional uses including: investment portfolio, mortgage accounting, real estate management accounting, dividend disbursement, deposit and loan account analysis, Christmas Club accounting, instalment and personal loan accounting.

GREATER EMPLOYMENT

AT this point, it seems timely to say a word in defense of labor-saving equipment. Contrary to much public belief, the development of business machines and office appliances has produced not less, but greater employment for office workers, enabling the creation and expansion of innumerable new services which would be impossible without them. The Secretary of Commerce recently pointed out that in the year 1860, when there were virtually no office machines, 4,000 out of every 1,000,000 persons in the United States were office workers. Today there are 50,000 office workers out of every 1,000,000 Americans.

"Labor-saving devices do not destroy labor; they create new jobs." This was the opinion of leading business and industrial executives who testified recently before the Senate Committee on Unemployment. Owen D. Young, chairman of the General Electric Company, had a typical answer: "Where the manufacturer lays off one factory hand, he puts on two for distribution. This has been the history of labor-saving devices."

The National Cash Register Company has a new improved savings account posting machine. All the advantages for savings account posting and audit control found in the previous machines are incorporated in this improved model. Pass book, ledger card and journal sheet are printed simultaneously. Interest postings appear in red automatically. But there are new features. One is the electrified posting keys, which eliminate at least three manual operations on every window transaction, enabling faster customer service during peak periods. Pass book and ledger card are automatically ejected from the machine as new balances are printed. Previously it was necessary to reach into the printer to obtain the pass book.

Remington Rand's systems and machines have done much to lower bank operating costs and increase efficiency. The new Model 85 Remington Rand accounting machine offers complete electrification of all alphabet and numeral keys and of the carriage. This machine is especially valuable in the trust department, making it possible to post five or more trust records at one time.

The new Remington Rand Kardex vertical visible file provides daily control of 16 vital bank records and may be applied without upsetting routine regardless of whether you are using pen or machine-posted records.

The new Remington noiseless typewriter is the last word in quietness.

Remington Rand's new Dextragraph machine reproduces wills, deeds, mortgages, notes and other documents in the same or in a reduced size.

Another photographic development of Remington Rand is the Film-A-Record, which photographs checks either face only or face and back with but one handling.

Remington Rand recently invented the Kompakt Fastener by the use of which the amount of space taken up in files with folders is reduced to an unbelievable extent.

The Allen Wales Adding Machine Corporation, manufacturers of adding machines exclusively, has announced a new duplex adding machine which is the equivalent of two adding machines within one case controlled through one keyboard and three positions of a single lever. This machine will accumulate a grand total of unlimited independent totals. It will also easily accomplish any work requiring two separate totals such as debit and credit, cost and selling price, cash sales and charge sales, etc. It will add or subtract independently in either of two counters or simultaneously in both counters. It is a completely automatic duplex machine equipped with all standard Allen Wales features.

The men who figure interests and discounts must know the number of days involved in every transaction they handle. The new Daymeter tells quickly, accurately and economically the due date of a note payable in days, weeks or months, the days to run on a discounted note and the days elapsed on any note.

Thomas A. Edison, Inc., has introduced a new compact Ediphone, which weighs but eight pounds and stands about as high as the modern telephone. It occupies less desk space than a letterhead. Among its new features is a safety signal light which overcomes one of the old objections to dictating instruments. Should the user inadvertently attempt to dictate with the operating lever in the "listen" position, the flashing of a light gives an immediate silent warning.

Yawman & Erbe Manufacturing Company has developed a new wired dictating desk, which has space for a dictating machine, similar to that of the conventional stenographer's desk, eliminating loose wires around the desk or on the floor.

Dictaphone Corporation is bringing out an attractive progress cabinet to take the place of the old Dictaphone stand. It contains an easily accessible correspondence drawer that holds a supply of correspondence folders, open and ready to receive the dictated matter. As each folder is removed, the next one automatically drops into position.

The Todd Company is introducing a new electrically operated check signer, which produces legal, four color signatures as fast as the operator can insert checks. Two locks prevent unauthorized use. The executive responsible for check signing holds one key, the operator the other. A non-resettable, tamper-proof meter records the total number of checks signed. Todd also has announced a new portable electric protectograph.

Banks have been giving more attention to the matter of

What's Ahead?

MEN of research will continue to wave the magic wand, motivated by original thinking and plenty of perspiration. A natural query is—"What lies ahead?" Thomas J. Watson, president of International Business Machines, ably answered the question when he said: "Decade after decade, we have been content to grasp the comforts, conveniences and wealth which science and invention have brought us, but to their effect upon our national life and the new responsibilities they created, we have given scant thought. We stand today upon the threshold of a new era in the satisfaction of human needs. While many are asking 'What lies ahead?', the forces of research are producing discoveries that are certain to create new cycles of advancement, no less astonishing than those with which we are all familiar. In the era to come, the results of the new discoveries should not find us unprepared. Their impact upon civilization and their effect upon established customs and institutions will be studied well in advance. Therein perhaps is to be found the greatest reassurance for those who look ahead."

protecting important records from fire during ordinary use. For this purpose the Shaw Walker Company is standardizing a new line of insulated ledger equipment to be brought out early next year.

The new Monroe Adding Calculator, model A-1, provides "split-second" short-cut multiplication automatically. The machine itself condenses figures so that answers are produced by fewer steps. It is only necessary for the operator to put on the keyboard figures representing the multiplicand and multiplier, touching automatic "set up" and "multiply" keys and the machine instantly does the rest.

The product "Polaroid" has been labeled as the greatest lighting discovery since the electric bulb. Its application to the desk lamp has removed the chief problem in desk top illumination. The Polaroid desk lamp is fitted with a piece of polaroid which removes, right at the source, the light vibrations that would ordinarily appear as reflected glare from the working surface to the eyes. It has been hailed as the forerunner of a new era in desk lighting.

The McBee Company has developed a new check with numbers printed around the edges, enabling more rapid check sorting when the checking account is reconciled. It is being rapidly adopted by large corporations and Government agencies.

Early in the 19th century, Sir John Herschel, brilliant scientist, coined the word "photography," based on two Greek words meaning "write by light."

George L. McCarthy, vice-president of a New York City bank, was familiar with two simple facts about photography—a photograph doesn't make mistakes; a photograph can be made with the speed of light. Starting here, he conceived the revolutionary idea of putting photography to work for banks through the now well known Recordak, at the same time bringing into use a method of correcting important deficiencies in the methods of his business.

Mr. McCarthy, now president of Recordak Corporation, Eastman Kodak subsidiary, understood a check to be a receipt for cash paid out on order of a depositor. When a bank released these receipts at the end of a month, all evidence of the existence of the receipt and its authority was lost to the bank. With millions of checks issued daily, it seemed inconsistent that armed guards, armored trucks, and machine guns should attend transfers of large sums, while the



GUARDED IN TRANSIT

Here is an easy, economical way to build depositor good-will. By furnishing insured Super-Safety Checks you enlist an army of alert guardians—hidden cancelling VOIDS—always on duty to protect your depositors' funds from the clever hands of check crooks. No one can tamper with one of these checks without leaving glaring evidence of the attempted alteration. The moment ink eradicator touches a Super-Safety Check the surface is com-

pletely destroyed and vigilant VOIDS flash forth to cancel the check forever. The effectiveness of this protection is backed up by insurance guaranteeing depositors against losses caused by any check frauds these checks are designed to prevent.

Your depositors will like Super-Safety Checks because these checks provide them with maximum security against check fraud losses—are guaranteed by insurance to protect their funds in transit.

THE TODD COMPANY, INCORPORATED • ROCHESTER, NEW YORK

Offices in all Principal Cities

Reproductions of this advertisement, 14" x 22", mounted on heavy cardboard, with easels, for lobby display and with copy directed to depositors will be furnished without charge to banks using Super-Safety Checks. Write the address above.

transfer of equal sums in check form should be entrusted to the mails, to the hazards of fire, or to the whims and vagaries of depositors.

Out of this, 10 years ago, came the Recordak, which furnishes the safeguarding record, and, at the same time, makes economies possible in the active, but non-productive, transit and bookkeeping departments. Operating costs have been reduced as much as 40 per cent.

Recordak's most recent development is the reversible Recordak, which permits the photographing of both sides of the checks in one trip through the mechanism, thus saving the trouble of running the checks the second time or making a list to get the information on the back of the check.

The Recordak Junior, to be introduced early in 1939, will be a compact, manually operated desk model which, at the flip of a switch, will be either a photographing machine or reading device.

Marchant Calculating Machine Company announces a Calculator with automatic carriage control and electrical clear-tabulation to any pre-set carriage position. This device enables the operator to tabulate the carriage automatically to any pre-determined starting position by the act of clearing the dials of figures from the preceding problem.

So are the manufacturers of bank equipment and systems contributing to the continued efficiency of American banking.

Insurance Protection

By AUSTIN D. BRYAN

MR. BRYAN is field supervisor for the Aetna Casualty and Surety Company, Hartford, Connecticut.

THEORETICALLY, at least, the matter of purchasing the proper insurance program for a bank should not be a difficult task. It would seem that the banker need only determine what his insurable risks are, decide which of these risks he desires to insure and to what extent, and then request a well informed insurance agent to provide the coverage best suited to his needs. And in truth, that is the exact formula, but its application is not as simple as it sounds.

In fact, experience dictates the statement that the majority of banks have yet to obtain the kind of insurance protection they think they now have. That's a rather strong statement and demands explanation. Perhaps the point will be clarified by quoting a remark of an eastern banker to his insurance agent after he had reviewed the agent's report following a thorough analysis of the bank's insurance problems:

"Needless to say, we are greatly disturbed as a result of the findings in your report. I think the thing that is most disturbing to us is the thought of how little we actually knew about what our exposures were and what we were trying to accomplish with the insurance we have been carrying."

This analysis had revealed an insurance program entirely different from the one upon which the bank believed it was relying for protection. Its program as now seen left the bank uninsured against a number of major exposures to which it had previously given no thought. It saw certain policies going only part way in providing coverage against the risks they were supposed to insure completely. In one instance a contract was technically void because of certain conditions existing that were not provided for in the policy. In several instances premium waste existed that could have been eliminated.

It is only natural to wonder who or what condition is to blame for a situation such as the one described. Were the insuring companies at fault? They had written the policies in accordance with their instructions from the agents. Were the agents to blame? They had ordered the policies in accordance with their instructions from the bank. Did the fault lie with the bank? It was spending \$6,800 a year for an insurance program it thought was sound. On the assumption that the case involved is typical to at least a certain degree, let's review the conditions surrounding the purchasing of this insurance, and perhaps there we will find a key to the answer.

1. In the first place, the bank had not at any one time stopped to analyze its insurable risks, decided upon a plan for insuring them and then purchased the requisite policies. On the contrary, the policies had been purchased over the 18-year period of the bank's existence. For the most part the policies had been ordered at infrequent intervals, whenever it occurred to some agent that the bank might be a good prospect for a certain form of coverage and followed his "hunch" with a successful solicitation.

During these 18 years the bank had grown and its methods of operation had materially changed. While a number of coverages had been increased and some new forms added, no particular system or plan had been followed to keep the bank's insurance program in line with the changing conditions of its business.

The insurance had not been written by one agent. In fact, eight agents participated in the insurance carried by the bank, none of whom had any detailed information as to the insurance written by other agents. Closely related coverages, such as bankers' blanket bonds and bank burglary and robbery insurance, were divided among agents.

So we have the story of how this bank's insurance was purchased, and in setting forth the conditions surrounding the buying and placing of insurance in this particular case I think I have fairly well described conditions now prevalent in perhaps the majority of banks. It must be apparent that these conditions are not likely to produce a carefully planned insurance program, but are more apt to result in a program that leaves the bank still subject to unforeseen losses despite its premium expenditure; and Fate seems to have a disconcerting habit of sending its darts through the one weak spot in the armor.

Returning now to the original question: What is to blame for the most unsatisfactory condition of this bank's insurance? Suppose we place the blame on an abstraction called "insurance-buying practices." How can the situation be remedied? How can any bank make sure that it has an insurance program that will not be found wanting when a major insurable loss of whatever nature occurs? I should like to make four suggestions:

1. Let the responsibility for the proper handling of the bank's insurance be placed squarely on one individual in the bank. Let it be made clear that the assignment is a major one and will require a lot of study on his part.
2. If it seems desirable to divide the bank's insurance among several agents, then let one well qualified agent be selected as the supervising agent for the entire insurance program.

Burroughs

High-Speed Posting Machine

**DEFINITELY MEETS
TODAY'S NEEDS
IN BANK
ACCOUNTING**



AUTOMATIC PRINTING OF BALANCES

All balances, except overdrafts, print automatically. No motor bar or total key depressions required.

AUTOMATIC COUNT OF CHECKS

The number of checks paid is counted automatically and progressively as part of the posting operation.

VISIBLE ALIGNMENT

Entire previous line, fully visible, is a positive guide to perfect alignment.

AUTOMATIC CLOSING OF CARRIAGE

The first depression of the motor bar closes the carriage and prints the old balance.

FAST CARRIAGE MOVEMENT

Fast tabulation, fast carriage return, fast carriage opening . . . all automatic . . . greatly increase posting speed.

INSTANT CHANGE IN OPERATION

Instant adjustment for posting analysis data to statement or uncollected funds to ledger simply by moving a convenient lever.

SPEED . . . with fewer motions

This high-speed Burroughs is a remarkable development in bank posting equipment.

Its new features . . . many of them automatic . . . provide a fast, simple operation and permit the posting of uncollected funds information on the ledger and a complete analysis record on the statement while handling commercial accounts. Call the nearest Burroughs office for complete details and descriptive folder.

BURROUGHS ADDING MACHINE CO.
DETROIT, MICHIGAN

Visit the Burroughs Exhibit at the American Bankers Association Convention
in Houston, Texas, November 14th—17th

It is but fair that he should receive a sufficient share of the bank's insurance business to compensate him for his extra services. This agent should work closely with the member of the bank's staff who has been given the responsibility of looking after the bank's insurance.

3. As soon as this supervising agent has been selected let the bank request of him as his first service a thorough analysis of the bank's insurable hazards and existing coverages. The analysis would be of little value if it consisted only of a review of existing policies. It must be based on a detailed risk analysis. When the bank's risk pattern is properly obtained, the failures in the present program, if any, will quickly come to light. The analysis doubtless will reveal many conditions in present policies which should be corrected. Advantageous rearrangement of coverages may be apparent. Premium economy may be possible. Many uninsured conditions which the bank has not previously recognized will be pointed out. Some of these uninsured situations the bank may not care to insure, but it should at least be aware of them and have the opportunity to judge whether or not they should be covered.
4. One analysis, no matter how thoroughly or expertly made, will not be sufficient for all time to come. Changes will occur in the bank's operating conditions and in insurance coverages and rates that will necessitate corrections in the program decided upon. In order that the bank may keep abreast of its ever-changing insurance requirements, a date should be set and arrangements made for a re-survey at least annually.

To explain better the function of the insurance analysis, let's see just the high points of an actual case. The case we have chosen is not in most particulars unusual. It has been chosen as being fairly typical. The bank involved is a comparatively small, but well managed, eastern bank. It is capitalized for \$200,000 and has deposits of approximately \$2,000,000. At the time the analysis was made it was carrying the following insurance program:

Blanket Bond Form 8 (primary).....	\$25,000
Blanket Bond Form 2 (excess).....	50,000
Burglary & robbery (excess over blanket bond).....	50,000
Bankers blanket forgery.....	10,000
Bankers limited forgery.....	10,000
Safe deposit box insurance.....	100,000
Fire insurance on bank building (80% coinsurance).....	50,000
Fire insurance—bank contents (80% coinsurance).....	15,000
Errors and omissions insurance.....	75,000
Registered mail.....	250,000 per package limit on currency
Workmen's compensation.....	Statutory
Public liability—bank building.....	25/50,000

For this insurance the bank was paying approximately \$2,400 annually. To all outward appearances this program was satisfactory. The bank felt it had given ample consideration to its insurance problem and recognized no particular need for an analysis. Nevertheless, one of the agents placing a portion of the bank's business was successful in convincing the bank that certainly no harm could be done by the analysis and that it would be well to know with absolute certainty that the insurance was in order. When the analysis was completed, the directors were surprised to see their insurance picture as the report revealed it. The high points of the report are briefed herewith:

By a readjustment of the blanket bond and burglary and robbery program more accurately to fit the bank's cash and securities exposure, it was found possible to provide \$50,000 additional burglary and robbery protection that the bank badly needed, at no additional cost.

This rearrangement of the bank's burglary and robbery program also protected it against the possibility of a sizable premium reinstatement cost under its blanket bonds in the event of a serious burglary or robbery loss.

A \$25,000 deficiency in the messenger robbery protection was pointed out and the suggestion made that the bank either reduce its exposure from the transportation of money and securities, or purchase additional coverage to fill the gap. A new plan of messenger robbery insurance exactly fitted to its needs was offered for the bank's consideration.

OTHER WEAK SPOTS

A SERIOUS weakness in the bank's program of forgery insurance was pointed out and corrected.

The bank's attention was called to its lack of protection against loss of valuable goods belonging to customers and kept in its storage vault.

The analysis brought to light the fact that the bank was under the erroneous impression that its safe deposit box insurance protected the bank's own securities kept in safe deposit boxes.

The importance of having registered mail insurance carried by the insurance organization that writes the blanket bonds was pointed out.

In arriving at the insurable value of the bank building, the bank had included certain values that were specifically excluded by the policies. It was therefore carrying an amount of fire insurance in excess of the insurable value of the building. This excess insurance constituted premium waste.

Under the fire insurance policies covering the contents the bank had included certain items that correctly should have been insured under the building policy at a much lower rate.

A reduction was obtained in the fire rate applying to both building and contents. This reduction was obtained by correcting certain minor deficiencies.

A part of the saving effected in the fire rate was used to extend the scope of the fire insurance policies to include additional hazards not previously insured.

The public liability insurance carried by the bank was found unsatisfactory in several important respects.

The story of this analysis is not unusual. Cases could be used that would test the reader's credulity. Others could be chosen that would indicate the possibility of few major improvements in a well supervised insurance program. But in either event the bank for which a good analysis is made has gained something.

Perhaps a banker agrees entirely with these statements as to the value of bank analysis when properly performed, but wonders whether the one he would receive might not be so superficial as to be valueless. But the bank can obtain a good one. Here is the formula:

Pick the agent who is to make the analysis. Choose him as you would your lawyer or your doctor—on professional ability and not sociability.

Find out what system or plan of analysis he intends to use. The work can not be done haphazardly and be effective. Even the best informed agent needs the added thoroughness of a tried and proved system. There are several good ones available to him.

Make sure that the agent does not attempt to analyze your policies without complete information as to your risk.

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Real Estate Loans

By HERBERT M. BRATTER

The author is a Washington writer on subjects of financial interest and importance.

UNDER the pressure of easy money and with the stimulus of F.H.A. insurance, real estate lending by banks and others has continued to expand during 1937 and 1938. Not all banks have been attracted to mortgage loans, whose popularity varies markedly from place to place. But those which have been lending against real property since the depression's low have tended to do so on an increasing scale. The amortized idea, *sine qua non* of F.H.A. insurance, has become popular both with banks and with the home-owning public.

Prior to the National Housing Act, relatively few commercial banks took mortgages. F.H.A. has popularized the long-term, amortized mortgage with many banks. In addition it has helped bring down interest rates; has tended to eliminate high-cost second and third mortgages in most areas; has had its appraisal system widely accepted; and has established subdivision and neighborhood planning, an important accomplishment, since a neighborhood may deteriorate faster than the property concerned. Careful planning helps maintain the value of the lien.

Although the long-term amortized mortgage was invented about a century and a half ago, its general use here is a development of recent years. Savings and loan associations were the first institutions here to make a regular practice of lending home mortgage funds for long terms. The Federal farm loan system set up in 1917 called for completely amortized real estate loans. The Home Owners' Loan Act of 1933 made direct-reduction loans mandatory for Federal savings and loan associations. The H.O.L.C. made over 1,000,000 direct-reduction loans throughout the country. Then came F.H.A.

Other influences have favored the amortization idea. Among these have been the Comptroller of the Currency's circular letter of September 4, 1935, and the similarly worded Federal Reserve Board Regulation A, as revised on October 1, 1937. For real estate loans other than those insured under the National Housing Act, Title II, the foregoing circular letter and regulation recommended certain standards. The standard as to amount is "not to exceed 50 per cent of the appraised value of the real estate" and as to term, five years. But, where the terms of the loan provide for amortization of at least 40 per cent of the principal within not more than 10 years by means of substantially equal periodic instalments, the loan may be 60 per cent of the appraised value.

Further influencing banks to include the amortization principle has been their costly experience during the depression with real estate loans previously made without such provision. Finally the public itself, thanks chiefly to its education by F.H.A., has become increasingly receptive to amortization of principal. Unfortunately, there is no way to measure statistically, from published banking reports, the extent to which non-insured loans by banks are being made on an amortized basis. It is to be noted that amortized loans naturally appeal to life insurance companies more than to banks because the former have not the banks' facilities for investigating and watching the position of the borrower, and are therefore more dependent upon the tangible security of their loans.

During 1937 the amount of net mortgages originated by commercial banks and accepted for insurance by F.H.A. since the beginning of the program increased from \$347 millions to \$546 millions; but these figures when compared to total F.H.A. activity represented a declining proportion, being almost 63 per cent of the aggregate in 1936 and only 58 per cent a year later. Of the 58 per cent, 30 per cent were originated by national banks. Building and loan associations originated over 15 per cent of the national total, mortgage companies about 11 per cent, insurance companies 9 per cent, savings banks 3.3 per cent and all others 3.5 per cent.

Although figures on a cumulative net basis are prepared only quarterly, figures compiled at the end of August on mortgages accepted for insurance during 1938 only, show that commercial banks were financing 54.2 per cent of the commitments issued January through August 1938 and that these mortgages accepted for insurance by commercial banks during that period numbered 51,612 for \$220,107,364, with total mortgages accepted for insurance by all types of lending institutions during the period numbering 92,806 for \$406,000,000.

Cumulative figures on lending institutions financing net mortgages accepted for F.H.A. insurance as of June 30, 1937 and 1938, reveal an increase of 379 in the number of banks making such loans, and a very material increase in the amount of such loans made by the same institutions. The cumulative figures follow:—

Type of Lending Institution	Number of Institutions	TOTAL VOLUME OF MORTGAGES ACCEPTED			
		Number	Amount	% of Number	% of Amount
Through June 30, 1937					
National banks	1,905	59,397	\$237,594,486	31.6	31.0
State banks and trust companies	2,158	55,524	219,721,723	29.5	28.6
Total commercial banks	4,063	114,921	\$457,316,209	61.1	59.6
Grand total	5,716	188,023	\$767,678,551	100.0	100.0
Through June 30, 1938					
National banks	2,055	89,411	\$362,225,173	31.4	30.5
State banks and trust companies	2,387	79,988	322,537,441	28.0	27.2
Total commercial banks	4,442	169,399	\$684,762,614	59.4	57.7
Grand total	6,424	285,173	\$1,187,510,859	100.0	53.2

Source: F.H.A. release 221 A.

The monthly trend in mortgages accepted by F.H.A. for insurance since January 1935 is shown graphically in a chart on page 37 of the 1937 report. Peak periods were from June to October 1936 and from March through June 1937. The remainder of 1937 witnessed a decline of over 40 per cent from the monthly high.

Examination of published statistics of the Comptroller of the Currency covering March 31, 1937, and March 7, 1938, (latest available) discloses only a moderate increase in outstanding farm and other real estate loans of national banks as a group. Total outstanding loans by such banks against farm lands increased from \$212 millions in 1937 to \$219 millions in 1938; and loans on other real estate from \$1,246 millions to \$1,354 millions. The increase occurred chiefly in loans against non-farm real estate by "country banks" and banks in "other reserve cities". In central reserve city banks of New York and especially Chicago there was a decline. In the latter group, national bank loans outstanding on real estate, other than farm land, declined from about \$12 millions to \$10 millions, as shown in the accompanying summary table.



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SUMMARY OF NATIONAL BANKS' REAL ESTATE LOANS, MORTGAGES, DEEDS OF TRUST, AND OTHER LIENS ON REAL ESTATE
(in thousands of dollars)

Banks	On Farm Land			On Other Real Estate		
	3-31-37	6-30-37	3-7-38	3-31-37	6-30-37	3-7-38
New York ¹	133	131	13	19,088	21,304	18,293
Chicago ²	543	321	290	12,480	12,283	9,912
Total, central reserve cities	676	452	303	31,568	33,587	28,205
Other reserve cities	81,497	81,432	81,651	622,231	646,822	669,589
Total, all reserve cities	82,173	81,884	81,954	653,799	680,409	697,794
Country banks	129,893	133,304	137,254	591,952	611,673	656,311
Total, United States	212,066	215,188	219,208	1,245,751	1,292,082	1,354,105

Source: Office of the Comptroller of the Currency, Abstract of Reports of Condition of National Banks, Nos. 191, 192 and 194.

¹ Does not include Brooklyn and Bronx.

² This does not include Chicago banks classified as "other reserve city banks".

As shown by returns of the national banks, there is wide variation in the popularity of real estate loans with banks, as between different localities. Compare, for example, the \$315 millions of such loans on non-farm real estate by San Francisco national banks with only \$18 millions by New York banks on March 7, 1938. In addition, San Francisco national banks had outstanding over \$54 millions lent on farm land. In Los Angeles, national banks' loans on non-farm real estate totaled \$136 millions in March and loans on farm lands, almost \$16 millions. How large these totals are compared with similar national bank loans made in other cities is indicated by the fact that Dallas national banks, although ranking as a group immediately after Los Angeles in the size of farm land loans, held only \$1¼ millions of such paper, while in loans against non-farm real estate, Boston, the third city on the list, reported only \$35 millions.

In the accompanying table national bank data for various selected cities are shown. Whereas, during the year ended last March, real estate loans by San Francisco banks continued to expand, the table shows that the trend in Los Angeles had definitely slowed down. In Boston the growth was very moderate. In Cleveland, real estate loans were not increased. Seattle, Detroit, St. Louis, Washington, Chicago, Oklahoma City, Salt Lake City, etc., however, evidenced marked expansion during the year.

REAL ESTATE LOANS OF NATIONAL BANKS IN CERTAIN SELECTED RESERVE CITIES
(in thousands of dollars)

City	March 31, 1937		March 7, 1938	
	On Farm Land	On Other Real Estate	On Farm Land	On Other Real Estate
Boston	34,412	...	35,471
Philadelphia	29	14,036	29	13,367
Baltimore	4	810	4	605
Washington	45	5,003	37	6,958
Jacksonville	27	2,867	25	3,232
Dallas	1,583	5,668	1,255	5,666
Memphis	551	2,945	438	3,592
Indianapolis	52	1,024	52	1,078
Chicago (exclusive of central-reserve-city banks)	2	5,075	185	7,251
Detroit	13,691	...	17,157
Minneapolis	62	2,031	58	2,063
St. Louis	30	7,356	21	8,333
Kansas City, Kan.	147	653	103	643
Oklahoma City	247	1,552	122	1,885
Seattle	125	3,632	650	6,637
Los Angeles	14,939	134,596	15,856	136,198
San Francisco	55,466	285,004	54,459	315,163
Salt Lake City	74	1,798	66	2,183
Cleveland	29	19,796	102	19,367

Source: Office of the Comptroller of the Currency, Abstract of Reports of Condition of National Banks, Nos. 191 and 194.

Since the foregoing figures cover only national banks, it is interesting to compare available data for state banks. The F.D.I.C. reports published semi-annually show, for different groups for the country as a whole, and by states, "loans on farm land" and "loans on other real estate". They do not show amortized loans or even F.H.A.-insured loans separately. The F.D.I.C. statistics reveal no material divergence in the trend of real estate loans as between national and state banks.

REAL ESTATE LOANS OF ALL INSURED BANKS
(in millions of dollars)

Group	Loans on Farm Land			Loans on Other Real Estate		
	12-31-36	6-30-37	12-31-37	12-31-36	6-30-37	12-31-37
All banks	502	504	488	3,139	3,080	2,959
National banks members of the Federal Reserve System	215	215	211	1,342	1,288	1,217
State banks members of the Federal Reserve System	49	49	47	941	953	929
Banks not members of the Federal Reserve System	237	240	229	857	839	813

Source: Federal Deposit Insurance Corp., Report No. 8. (Report No. 9 covering June 30, 1938, was not available when this article was prepared.)

Although real estate loans are proving popular with many banks, they are less profitable than in pre-depression times. One Washington official informs the writer that banks in general are lending against real estate at a lower interest rate than in the 1920s, generally from 1 to 1½ per cent less. He notes that banks are apparently making better appraisals than formerly, their methods of arriving at values being sounder. To put it another way, "a 50-60 per cent loan today is sounder than a 50-60 percent loan of the 1920s, apart from the adoption of the amortization principle."

"In 1929," he adds, "there were no amortized payments at all. Now, following the depression, most banks are featuring amortization of some sort, some monthly amortization. What with unusually easy money and government insurance, loan costs are lower today. Commission rates, for example, used to be high, but the pressure of easy money has made competition keen, and today few banks charge any commission."

It is well understood, of course, that there is great lack of uniformity in mortgage interest rates between various parts of the country, and even between different institutions in a given locality. The East, for example, has lower rates than the South and the West.

Loans of commercial banks secured by farm real estate have been surveyed periodically by the Department of Agriculture. According to a study by Norman J. Wall, the peak of such loans apparently was reached late in 1920, when the \$1,447 millions total was about twice the 1914 total. By 1934 such loans were less than \$500 millions. The story since 1934 is traced in the figures of F.D.I.C.-insured commercial banks, as compiled and published by the Department of Agriculture on a state and regional basis. The national total since the end of 1934 has increased from \$488 millions to over \$501 millions last December.

Unlike urban real estate loans, the principle of amortization—incorporated in the land bank legislation of 1917—has not made much headway with other banks lending on farm real estate. Such loans are generally limited term contracts, entered into with the expectation of renewal at the end of from one to five years. Due to the distress periods of 1920 and 1930-32, the principle of reductions in the form of a moderate annual curtail, however, has got into rather general usage; but a considerable part of the principal is left outstanding at the end of the period.

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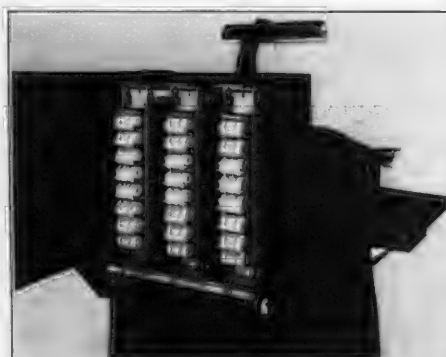
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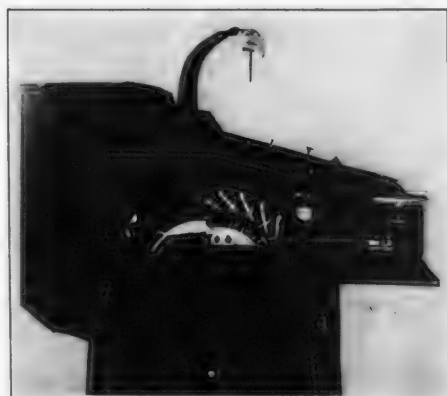
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Public Relations and Advertising

BANKING presents herewith an extensive report on the public relations and advertising activities of banks during the past year.

The survey, made by JOHN J. McCANN, JR., advertising manager of the National Savings Bank, Albany, New York, is believed to be the most comprehensive study of its kind ever undertaken, giving a broad picture of what banking is doing to create a better public understanding of its work.

IN order to present a picture of the progress made in bank public relations, this yearbook review has been prepared from reports covering the entire banking field. Although there appears to be a very uneven pattern of activities over the country, it is true that in every state some form of public relations work is being carried on. The central and western states stand out conspicuously for organized cooperation. In the eastern and some southern states much of the work has been left to individual banks with the result that statewide coordination of effort is not as far advanced. A number of states have been handicapped with a shortage of operating funds, and other matters, such as legislation, take first place on their agenda.

The success achieved by many individual banks is encouraging, but the rounding out of public opinion will take form when and as all efforts are overlapped beginning with the single bank unit and extending through local, county, state and national groups. There are indications that this is gradually developing and will eventually produce a unified national pattern.

All media of public contact are being employed to a greater or less extent in most parts of the country. Newspapers, radio, direct mail, all have been found effective where properly and skillfully designed. What is most significant is the fact that personal contact is being relied upon more and more as a desirable supplement to media promotions. Judging from the new ideas that are currently presented, there can be no doubt but that many more channels of expression will be discovered as this national program takes form.

Reviewed in this report are highlights of the year's activity.

GROUP ORGANIZATION WORK

MANY state associations are broadening their work through educational and public relations committees. Some have assumed direct supervision, while others depend upon the initiative of county or clearinghouse groups to promote the activities.

As an instance of sources which may be drawn upon to further educational programs, the New York State Bankers Association has urged county associations and individual banks to take advantage of the State Industrial Service Bureau, a special branch of the State Department of Education. The director of this bureau has conducted several one-week courses for bank officers and staff at a bank selected by members of the local clearinghouse. Frequently this leads to an extension program of forums carried on by the clearinghouse or by individual banks. The committee on public relations has developed a series of recommendations covering all phases of public, customer and interbank relations which will be published in booklet form and distributed soon.

The Bergen County (New Jersey) Bankers Association, as a typical example of county group work, conducts a two point program—an external phase comprising talks to vari-

ous service clubs and an internal phase comprising the formation of constructive customer relation groups composed of all classes of employees and officers, and also a study program for individual banks. The A. B. A. Constructive Customer Relations Manual, which is used extensively throughout the country, is provided for each member for use at the monthly or semi-monthly sessions. Supervisors use the Morehouse Lecture Notes which contain a definite outline for each meeting. A special list of questions and answers has been compiled by the committee for examination purposes. In the past season these lecture forums drew an enrollment of 128 officers and staff members, representing more than 50 per cent of the county membership.

PUBLIC RELATIONS CLINICS

OTHER states, including Missouri and Kansas, have prepared special program outlines for their memberships, emphasizing many local and sectional problems. Many state associations have also organized public relations clinics through county or regional groups and still more have included sessions on customer and public relations in state convention programs. An interesting report on this type of work comes from the Wisconsin Bankers Association which during the year assisted 11 counties in the organization of staff conference groups for the study of public relations. Meetings were attended by 346 bankers in 21 counties. Also between 30 and 40 staff conferences were sponsored by individual banks and in most cases county groups devoted at least one informal session to the subject during the year. In Wisconsin alone, 11,200 copies of the A. B. A. Customer Relations Manual were distributed in the past year. Conference material is prepared and correlated by the state headquarters and distributed through county educational key bankers. A résumé of reports received from leaders indicates that this material has been found especially valuable. Informal meetings have promoted a spirit of cooperation wherever held. Several county groups have exchanged leaders and speakers on special assignments, thus covering many viewpoints. A new series is now being prepared by the association.

Among other states, Illinois has an active program to organize a quota of 15 classes throughout the state. In Ohio three regional bank forums were held last year in connection with local universities. Many regional clearinghouse forums were also conducted in Tennessee, South Dakota, Nebraska, New Mexico, Oklahoma, Washington, Oregon and Montana—and at least a few in other states.

The Oregon Bankers Association developed a seven point program of activities including school contact, public speaking, publicity, bank visitations, local meetings, community development, radio engagements and employee-training courses. This association has also devised a much needed card checking system of statewide activities. These forms are distributed to members for reporting activities as they occur; later reports are tabulated and published by headquarters. During the past year the association recorded 23,720 column inches of newspaper space devoted strictly to good-will advertisements and publicity articles; 489 meetings were addressed by members reaching a total audience of 49,600. In all, 1,082 reports were received on activities within the state, also indicating that more than \$16,000 was expended by the

membership in civic cooperation such as county fairs, contribution to civic enterprise, welfare work and the like.

The educational committee of the Ohio Bankers Association supplies another method of approach by setting up as a central theme for statewide addresses a review of banking history and development within the state and the manner in which local banks have aided community and state growth. Copies of this master manuscript have been distributed to all member banks for local use at public gatherings, and this and other similar material has been adopted generally by an interchange of materials with neighbor states.

A DIRECT ROUTE TO CONFIDENCE

A NEW movement fostered and developed by President Adams of the American Bankers Association places greater emphasis than ever on the idea that the bankers' viewpoint must be carried by the most direct means to the depositing public. Informal gatherings attended by local depositors were held during the year in conjunction with Association-sponsored regional conferences at Des Moines, Indianapolis and Oklahoma City. These were along the line of "customer town meetings", as suggested by Mr. Adams, and proved so satisfactory that open public forums have spread to programs of several state associations and individual banks.

Outstanding among these was the closing session last June of the Utah Bankers Association convention which drew more than 20,000 people. Principal attractions were songs by the juvenile film star, Deanna Durbin, and a talk by Merle Thorpe, editor of *Nation's Business*, who acted as banking's spokesman. Fifty thousand tickets were distributed by member banks and other outlets. The value of this type of meeting is best expressed by the chairman who said: "We decided that in the past we have all been talking to ourselves. So we branched out to get the class that needs conversion."

More recently a series of public meetings was arranged by the Wisconsin Bankers Association. On five consecutive evenings the association presented John Carter, radio star and tenor of the Metropolitan Opera Association and M. William A. Irwin, Assistant Educational Director of the American Institute of Banking, as guest speaker. Tickets were distributed by local banks to patrons in the five different communities in which meetings were held. Attendance for the series reached an aggregate of more than 10,000. As a public relations effort, the combination of music and information marks the adaptation of good showmanship which has been favorably received.

Among the favorable reports of smaller groups was the mass meeting arranged by the Grand Rapids Clearing House Association (Michigan) and the local real estate board in February. The speaker on this occasion was Roy Wenslick whose topic "Next Boom in Real Estate" attracted 4,000 local people. Ticket distribution was made through member banks, the real estate board and other business interests. From every angle this mass meeting was reported successful.

In other parts of the country, various banks and clearing house groups have arranged similar real estate talks and also a number of so-called "F.H.A. mortgage clinics" at which district directors invite inquiries on the subject and bank officials are available for consultation.

MESSAGES TO THE BUSINESS MAN

DURING the past year there has been a marked activity in bringing the banking message to localized business groups. Campaigns have been undertaken in most states to get public speaking engagements for members of speakers bureaus.

And where no such staff has been organized, state associations have urged volunteer work by bank executives. In cases where state-wide programs have been followed results have been particularly satisfactory.

Talks prepared by the Public Education Commission of the American Bankers Association have been used in every state. There are a few cases where state educational committees have supplemented this material with special addresses covering local problems. Appearances by bank representatives have been made before boards of trade, chambers of commerce, Rotary, Kiwanis and other service clubs, church, civic and professional organizations and similar groups. Many of the opportunities opened to bank officials have resulted from their own personal contacts and membership in various clubs and associations.

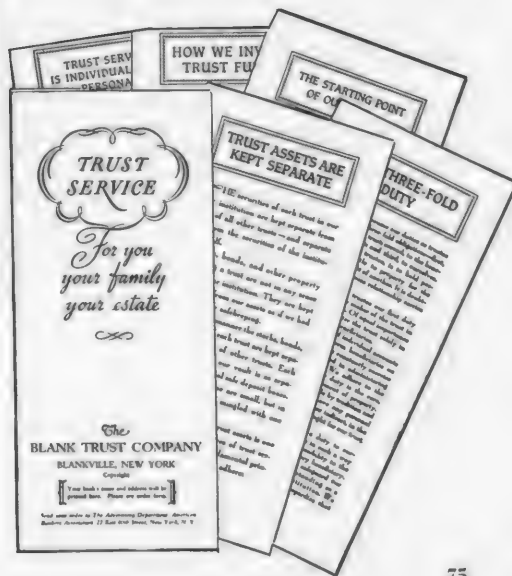
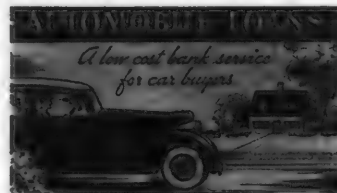
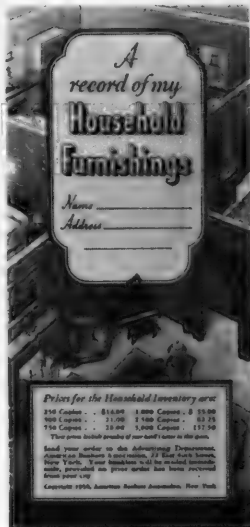
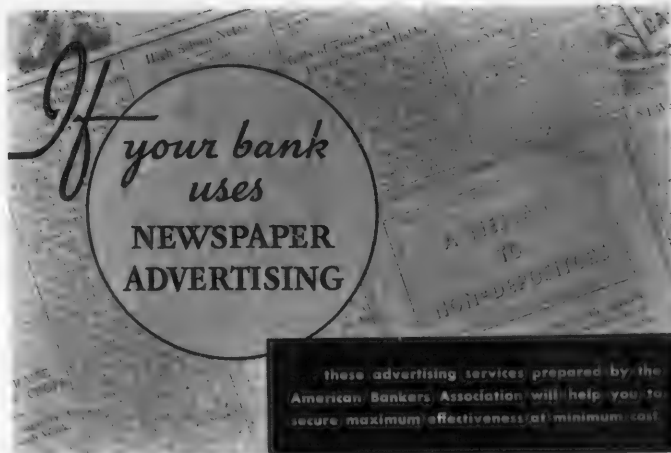
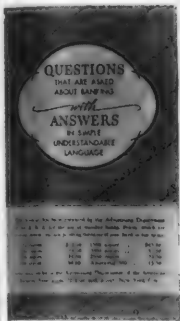
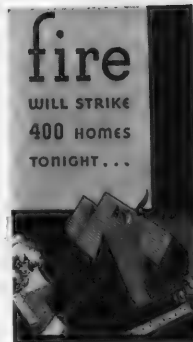
The increasing participation by bankers in civic movements is shown in South Dakota where the state association holds membership in the state secretaries association of chambers of commerce, thus opening a broad and fertile field of contact. The industrial tours conducted by many chambers throughout the country have been found to be an excellent opportunity of building good-will. The Kansas Bankers Association, for example, recently reported that six bankers represented the association in the 1938 chamber of commerce industrial tour which visited 26 different manufacturing plants located in several states.

SPEAKING PROGRAMS

A VARYING degree of interest is shown by state associations in the development and promotion of speaking programs. Some are extremely active in contacting organizations of a business or civic type and urging them to call upon banks for speakers. Others rely upon bulletins to encourage the initiative of members to develop their own contacts locally. The Wisconsin Bankers Association tells of its newly organized speaker's unit, which now lists more than 150 bankers in the state. In addition to special association speech material, more than 2,000 copies of the A. B. A. talks have been distributed to members by the Public Relations Department. More than 170 talks before audiences totaling 13,000 have been reported in the past season. An interesting sidelight on this program is the practice of drawing out questions from the audience and discussing them informally. These questions are noted carefully and reported to the state headquarters where they are tabulated and used as a basis for future speech material.

An instance of the extent to which A. I. B. chapters may be drawn upon, is reported by the public education committee of Milwaukee Chapter, which is closely cooperating with the state association in developing and filling speaking engagements. This cooperative plan has worked out so well that it has been highly recommended to all chapters in the state. These and other developments in procedure indicate the forward-looking interest which may be expected from the "speaking corps" as they are organized.

Another method currently followed is that of the Pennsylvania Bankers Association which has published the A.B.A. talks in pamphlet form, believing that this type of presentation holds more appeal for individual members cooperating in the state program. In clearinghouse groups educational committees have frequently invited outside experts such as Government service men, home economists, building contractors and others to discuss the banking angle of their various professions before luncheon clubs and other civic gatherings.



MATERIAL PREPARED FOR MEMBER BANKS BY THE ADVERTISING DEPARTMENT, AMERICAN BANKERS ASSOCIATION

It appears from the reports of associations that the effectiveness of speaking programs depends largely upon the planning and the consistent interest with which it is promoted. It fails only when the "let George do it" attitude leaves the program to haphazard treatment and neglect. By and large, it is noted that the number of engagements filled throughout the country by active committees and individual workers is a definite index of public interest in hearing what the banker has to say. This receptive attitude makes possible the laying of ground work for common understanding of banking problems that is invaluable. Informal public contacts obtained in this manner cannot fail to increase the effectiveness of paid-for advertising inasmuch as they add a convincing personal note to the banking story.

THE YOUNGER CUSTOMERS

THE year's record of school contacts offers evidence that special effort is being directed toward the enlargement of child education and the cultivation of teacher and parent contacts made possible through the schools.

The New York Mutual Savings Banks Association, whose members have the largest block of school savings deposits in the country, has organized a new state-wide forum on school savings with the objective of improving the school banking departments as a savings device as well as a means of education. While yet in the stage of organization, bank interest promises a wide support of this new endeavor. It indicates a revival of interest which may be traced to the successful school savings forums conducted for the second time by the Eastern regional savings conference of the American Bankers Association.

Gains in school deposits in many sections of the country suggest the possible increase of bank activity in this field, as well as improved economic conditions, for it is a generally conceded fact that student interest in savings programs grows or lapses with varying degrees of encouragement and stimulation.

The Pennsylvania Bankers Association has maintained a position of leadership in disseminating practical education material for use in public and parochial schools throughout the state. This program, on which \$17,500 has been expended in the past few years, has been constructively planned and executed. A standardized text in booklet form, based on material prepared by the A.B.A. Public Education Commission, is being widely circulated. During the past year 13,513 booklets of talks on banking and economics were distributed to high schools as well as 3,693 grammar school booklets to ninth grade pupils. The public relations program of the association centers upon this one activity. Its plan is progressively to cover new state areas each year. The elementary school booklet is available to teachers on a gratis basis. The high school booklet is available to both teachers and scholars in senior commercial classes. Distribution is accomplished through three channels—printed notices in the *Pennsylvania Educational Journal*, space being contributed by the executive secretary; printed notices in monthly bulletins of the Department of Public Instruction of the commonwealth, space contributed by the superintendent of schools; and thirdly through committee members and by them through key bankers organizations. Obsolete books have been replaced as the program extends throughout different state sections.

Commenting on the reception of this program the association states: "We have many expressions of favorable comments from county superintendents, school principals and

teachers, as to the worth of the material, but as a matter of fact we need no better attestation of its value than the number of orders that have come in and the continued use of the booklets distributed in past years. We have made a real step forward."

Another outstanding example of school contact comes from the Washington Bankers Association which conducted an elaborate program resulting in 387 lectures reaching approximately 37,810 individuals, most of whom were students. Among the special events of the program was a very successful dinner sponsored by the association as host to the Northwest Industries Study Group of the Seattle Association of Classroom Teachers. Some 250 teachers were conducted on a member bank tour which concluded with a banquet. Following this a forum was held to draw out discussion of various banking subjects. Host bankers answered the many questions brought up by the guests. This part of the forum was broadcast and, the association reports, brought to light many of the false ideas about banking held by members of the faculties of schools represented. A kit of materials was given to each teacher describing some of the principal industries of the state and the part played by banks in their development and in day-to-day activities. Summarizing its impressions the association says: "We feel that this was one of the finest types of public relations and educational work that has been done for some time and it is our intention to present a similar program next year." The committee on public relations and education has recommended to the state association that it stress the schools as the most important field for this activity.

PRACTICAL CONTESTS AROUSE INTEREST

ALTHOUGH school contests have not been promoted to a large extent during the past year, several interesting examples are reported, all of which have been designed along practical instructive lines.

The Michigan Bankers Association sponsored a state-wide essay contest in the Spring. Special awards were made by local banks in each community participating and the winning essays competed for the grand prize—a \$500 scholarship at the University of Michigan. The contest was opened to high school seniors on the subject "How a Bank Serves a Community". As this theme required study and research much practical information was gained from it by students and general public discussion was stimulated by the local and state publicity.

The Illinois Bankers Association also conducted a similar essay contest, taking as its theme a question of great timely interest in the state: "Preserving the State Bank System by Adoption of the Proposed Amendment to the Illinois Constitution". The competition was opened to high school seniors and three awards were offered: the first, a \$350 scholarship at the University of Illinois; second, \$100 to be applied on tuition to any university or college in the state; and third, \$50 cash. The winner appeared before the association's state convention at Springfield and presented his essay from the platform during one of the sessions.

The Kentucky Bankers Association sponsored a state-wide public speaking contest which was open to high school seniors on the subject "The Bank and the Part It Plays in the Community". Preliminary contests were held locally and the finals were staged at the association's convention. The winner will receive a one year scholarship to any university or college in Kentucky including tuition, all necessary school supplies and board and room.

The North Dakota Bankers Association has done considerable work in submitting questions on banking to school children and offering small but attractive awards for the best answers received. Following each contest of 20 questions, a well formulated set of answers are returned to the schools for study and student discussion.

The Kansas Bankers Association notes that a number of banks in the state have successfully designed a senior student contest around display advertisement writing for local banks. Each weekly winning advertisement appears over the bank's signature in the local newspaper. A committee of three local business men makes the selections and a small cash or other prize is awarded the winner. This novel idea draws attention to the bank and stimulates parent interest. A credit line for the author and winner is usually carried in the corner of each advertisement. The Washington association also reports that a group of member banks sponsored an essay contest on the subject, "A Bank's Service to Its Community". The Montana Bankers Association, encouraged by success of an essay contest held last season, is planning a new one this year. The Nebraska bankers also have a plan underway. The Oregon Bankers Association reports excellent results from its practice of organizing public speaking contests for Future Farmers and 4-H Club members at state and county fairs.

BANKER-FARMER WORK

ONE of the most concerted efforts in the public relations field today is that undertaken by bankers in the agricultural states under the auspices of the Agricultural Commission of the American Bankers Association. This Commission, through a force of nearly 3,000 cooperating bankers in all parts of the country, has evolved a farmer-banker program of far-reaching effects. Three major national projects are dealt with: 4-H Club activities, farm inventories and credit statements, and soil conservation with special emphasis on erosion control.

This broad program serves as a concrete example of the methods by which bankers may, through coordinated effort, deal successfully with the problems of a section of the public served, and thereby find satisfactory readjustments of their own problems. The work is essentially cooperative in all respects, placing a definite requirement upon the banker to study farm problems scientifically; to associate personally with the farm customer and identify himself with farm activities; to speak as often as possible before farm groups; to encourage and guide the training of farm boys and girls—in short, to make his institution a definite part of the lives of his immediate customers and public. This program interprets the whole scheme of public relations.

It is interesting at this point to note that six state associations have won the annual Certificate of Merit offered by the Agricultural Commission for compliance with definite activities in the program. These include Texas, Oregon, Washington, South Dakota, Georgia and Wisconsin. Oregon, as an outstanding example, has won this award for the ninth consecutive year.

The encouragement and guidance of rural youth as expressed in 4-H Club activities and Future Farmers organizations is looked upon by most bankers as an essential step in safeguarding the future development of agricultural resources of the country and the assurance of an intelligent progressive farming. Most state associations have through their agricultural committee encouraged member bank interest in cooperating with local county agents and 4-H leaders. This

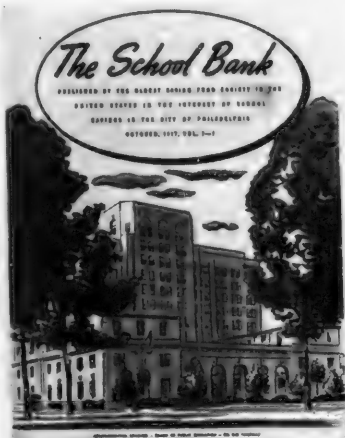
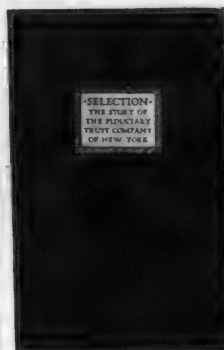
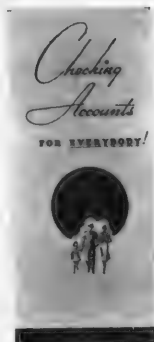
cooperation takes many forms. New York State appropriate annually \$1,000 for achievement pins which member banks present to those completing project work. Pennsylvania bankers finance the sending of two boys and two girls to the Washington, D. C., 4-H encampment and also the cost of 4-H Club Leadership Training School. Ohio bankers provide ribbons and banners for livestock judging contests and also send qualified club members to the national camp. In conjunction with this the association also sponsors a program by which banks in their respective communities finance a special farm information service through the vocational agricultural classes in the schools. Georgia bankers stand at the top of the list in loans to 4-H members in financing purchases of pure bred stock. And many other state associations, clearinghouse groups and individual banks have sponsored inter-county contests, junior livestock shows, financing arrangements for various projects and other similar activities.

Different approaches to farm problems have been developed by various state associations to meet their particular requirements. In Illinois last year the agriculture, education and public relations committees carried on a program of publicity designed to bring about closer relationships and provide farm customer with valuable and authentic information. This two-point program consisted of a weekly agricultural radio broadcast over a number of Illinois stations and a monthly agricultural bulletin called *The Experiment Station News* which was distributed to selected farm customers. This material was prepared by a recognized expert from data officially issued by agricultural experiment stations in various states in the country. Material distributed by member banks bore their own name imprints. This program held definite advertising and good-will values.

Indiana bankers have framed a broad program through key bankers which is stimulated by frequent bulletins from association headquarters. All activities are reported and charted. Forty-seven counties have adopted a definite program to be continued over a period of years. The scope of this work varies rather widely but definite activities are listed for each county including such projects as contests, inspection tours, stock feeding programs, dairy improvements, and the like. The Boone County Bankers Association awarded a crown to the "king" of alfalfa growers. Crop specialists from Purdue University selected the winner. This will be a continuous contest, the crown passing each year to the annual winner.

Among other associations, Tennessee reports the participation of county agricultural agents at banker group meetings throughout the state. Some 80 per cent of the agents were present and one appeared at each meeting on the program. The purpose of this was to familiarize agents particularly with banking problems and to thoroughly acquaint them with the activities of banking groups. Aside from obtaining a closer feeling of cooperation, this armed the agents with a better knowledge so that they might correct mistaken notions in their daily contact with farmers. North Dakota arranged a livestock picnic as a feature of its annual convention.

A very practical method of dealing with one of the most important farm problems in its region is offered by the Oklahoma Bankers Association. It has conducted training schools in each county where four or five men are instructed by an engineer employed by the association to terrace land for farmers as a preventive against soil erosion. The association has also joined with other organizations in defraying expenses of an experienced wheat expert who conducts a



PUBLIC RELATIONS
BY DIRECT MAIL

THREE ISLANDS LADDER RAG WINDS WINNERS \$3,088,000

THIS week thousands of business men got out of an unpleasant task by making their business to Rhode Island's business. If all these windings were long on a single manuscript and they would form a tangle over the greatest part of the City of Providence.

The great you must take the size of the bank's general ledger industry, which, in number of volumes containing, makes each among its subsidiaries. There are 42 volumes containing over 1,000 volumes who carry, actually, nearly not and one-half million dollars in wages.

One of the larger of these volumes shows business in average of thirty times of

lately, windings each week, using one-half million dollars more 1,000 times of any and no equal amount of sales.

Here in the State, on some of the bank and last week's general ledger to have England. It has been the business of the Rhode Island National Bank to help some of these business continued.

The specialized commercial banking service provided by the bank is especially important to the business and financial plans of many successful concerns. Furthermore, this same banking service of this type are served in almost all business continued.



Behind Bob's Cotton Crop -IS A BANK LOAN



YOUNG as he is, Robert Y. is a planter on a small farm. Last year he was in business National Bank, however, he did not and neither for an acre of cotton, nor for the cotton of his father's land, but for a loan of \$10,000 to get him out of a hole of cotton that he had made.

Bob is now of 20 & 40 years and has \$10,000 and more in this bank, this year he was recommended to go to the bank for a loan of \$10,000 to get him out of a hole of cotton that he had made.

Bank loans from the national bank that Bob has made only to get him out of a hole of cotton that he had made. The bank has made a loan of \$10,000 to get him out of a hole of cotton that he had made.

A bank's business is to help the farmer to get out of a hole of cotton that he had made. The bank has made a loan of \$10,000 to get him out of a hole of cotton that he had made.



The passing of the pay car...

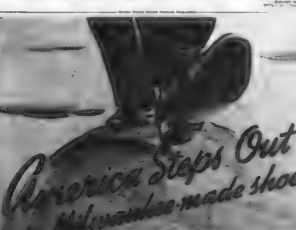
NOT many years ago the payment of wages to thousands of factory and office employees was made by means of large quantities of currency and notes. The danger of robbery made it necessary to pay wages in a "pay car," meaning it is a car that carries the money.

Today, the roads are busy with the cars of the service Irving Trust Company. The cars are carrying the money to the workers, and the danger of robbery is gone.

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IRVING TRUST COMPANY



America Steps Out in Milwaukee-made shoes.

These shoes, for men, for boys, for girls, for all, are made in Milwaukee. They are made by the First Wisconsin National Bank, which has been making shoes for over 100 years.

13 of the 18 leading shoe manufacturers in Milwaukee Bank. The First Wisconsin National Bank has been making shoes for over 100 years.

...which money to spend...right here at home. The Milwaukee's leading shoe manufacturers employ more than 5,000 men, women, and children.

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THE ANATOMY OF TAXES



A study of all taxes collected by Federal, State and local governments shows:

In the last six years the national tax bill has increased 76%, and currently 23.6% of all national income is consumed by taxes.

There are 175,349 taxing bodies in the United States, with more than 3,500,000 employees.

The average single man earning \$11 a week and owning no property pays \$116 a year, or 12% of his wages, in indirect taxes consumed in the cost of practically everything he buys.

The typical clerk drawing \$150 a month and supporting a wife and two children may not like an income tax statement, nevertheless he pays taxes of about \$220 a year, or his total income for a month and a half.

The family with a \$350 second-hand automobile pays the tax collector about \$13 a year, or, figured on a yearly basis, about 20% of all it costs to own and operate the car.

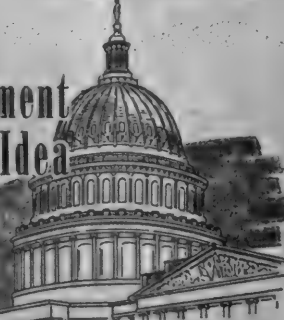
For every dollar American industry spends on payroll, it also spends 42 cents in taxes, or \$420 a year for each employer.

The Federal tax collector now takes more than 75% of a wealthy man's income, and the State and local taxes represent a sizable portion of the remainder. Nevertheless, if the tax collectors took all of the income of everyone earning \$5,000 a year or more, the total revenue from that source would pay for the cost of government for less than four months. In other words, all the income of all the wealthy wouldn't pay more than one-third of the tax bill.

In 1917 about 70% of all tax receipts represented so-called hidden taxes—\$2,750,000,000 gathered in small ways every man, woman and child in the land.



The Government has a Good Idea



...but it is not a new idea

Administration officials have recently been urging banks to help prospective borrowers "put their affairs in bookable condition."

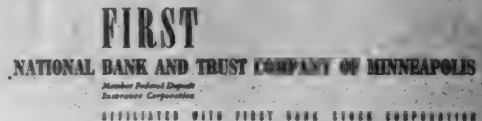
Translated into ordinary language, this means "help customers arrange their affairs so that their books can be more easily made—and more easily repaid."

This is a good idea. However, it is not, as some reports of official spokesmen might suggest, a new idea. Helping customers in this way has always been a part of our business, because we want to make good loans, and this happens to be one of the best ways to do so.

For example, let us suppose a company asked us for a very large loan, the purpose of which was merely legitimate and very much in the interests of the company. On the strength of the company's financial statement, lending the amount requested seemed out of the question. But then, one of our officers sat down with company

executives, dug into all the facts, and came up with a plan. As a result, with about 25% less money than had been originally requested—and with a corresponding saving in interest costs—the company was able to do what it wanted to do. The bank was able to make the loan, because the risk previously present had been reduced to a reasonable minimum.

This example is not completed. What we did in this case was perhaps no more than any good bank would have done. The point is we did it. Day in and day out we have been doing the same thing. There has never been a time when this bank has failed to do its duty. It properly could be made loans to business, large or small. Their making particularly surprising—not particularly virtuous—because that. It is our business to make loans; it is the only way we can earn a profit.



Member Federal Deposit Insurance Corporation
AFFILIATED WITH FIRST WIDE WORLD STOCK CORPORATION

...BUT HE GUARDS HIS OWN MONEY IN THE OLD FASHIONED WAY



Alfred J. B. is a very rich man and his money is his life. He has a lot of money, and he wants to keep it safe. He has a lot of money, and he wants to keep it safe.

He has a lot of money, and he wants to keep it safe. He has a lot of money, and he wants to keep it safe.

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Meeting Livestock Standards in Florida

Florida's livestock industry is one of the most important in the country. The state has a large number of livestock, and the industry is growing rapidly.

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WE ARE A GOOD NEIGHBOR

Thirty-one years ago when we were a young bank and the governing body just about ready for its first year of long years, we were on good terms with our neighbors. We were in the business of banking, and we were in the business of banking.

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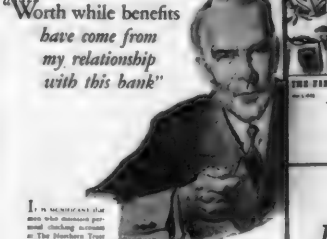
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REPRINTED FROM THE JOURNAL OF THE NATIONAL ASSOCIATION OF BANKERS



"Worth while benefits have come from my relationship with this bank"

...but it is not a new idea

...but it is not a new idea

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crop demonstration. A field day is planned to show by comparison the improved crops that can be obtained by the use of pure strain seed, which if used will eliminate a dock of from 2 to 7 cents per bushel for the local farmer.

Much attention is being paid by banking groups to the National Farm Chemurgic Council program which seeks to develop new commercial products such as plastics, alcohol, etc., from cotton, wood pulp, corn stalks and various other types of agricultural growth. Also bankers in many sections, including Tennessee, Illinois and Kansas, are at present working on plans to promote local participation in the World's Poultry Congress to be held in this country for the first time at Cleveland next July. Committees are being organized and much effort in the next few months will be directed toward local poultry and other allied interests to assure state representations on a large scale.

While the national agricultural program revolves about state and smaller bank group activities, many noteworthy applications are found in the work of individual banks. Some have provided specialized farm services in the choice and breeding of livestock, planting of crops suitable to various types of soil, grading and sorting products and stock for market, and many other factors which help bolster farm income. Some banks have laid out complete programs of farm activities in their surrounding area, taking into account the most likely seasonal sources of farm profits best suited to the local conditions. In some sections banks have revived the productiveness of countless farms not only through loan facilities, but in the direct planning of farm and agricultural work. The educational campaigns carried through by experts on the banking payrolls have not only made better farms, but better farmers. And most important of all, one finds a heartening note of humanitarian interest, particularly in the 4-H club work.

THE NEWSPAPERS

FUNDAMENTALLY, the newspapers mold public opinion by printing the news upon which this opinion is largely based. The many and varied activities noted up to this point represent "leg work" outside the bank and all have definite news value which should be covered in the public press. To draw public attention to the merits of these activities, it is necessary to obtain the cooperation of the local press by establishing friendly working arrangements. For this reason much emphasis has been placed on the proper reporting of activities in a style acceptable to the press.

While there does not appear to be a full-rounded program of news reporting on all present phases of public relations, there is, however, a definite structure which when strengthened by cooperation of individual banks on through groups to the national A.B.A. News Bureau headquarters, will crystallize public impressions on a national scale. Local news is highly important for it travels and grows when all outlets are organized.

The News Bureau serves as a central agency through which banking news of a general character is made available to the press. It prepares news releases on convention work including addresses and committee reports, and it interprets accurately and constructively the policies, services and activities of banking and the Association. It also offers assistance to banker groups and A.I.B. chapters in organizing their own publicity programs and policies.

Through executive secretaries and publicity committees, state associations have to some extent formulated definite publicity programs. Only the South Dakota Bankers Asso-

ciation reports membership in the state press association—and this has been held for 12 years. Some of the larger banks maintain their own press relations departments to act as clearinghouses of news releases. Much of the responsibility of news coverage is left to individual banks or to the active groups engaged in particular activities. Many reports on this subject emphasize the importance of framing releases around "spot" news or the news elements of activities, edited in a fashion which is less likely to be dropped in the editor's wastebasket. Local color and personalities together with human interest are the most acceptable types of local news stories. Neglect of adequate reporting deprives the bank of many opportunities of contact with the public. A special study of this subject has been issued by the American Bankers Association entitled *News About Your Bank* which is recommended reading.

DISPLAY ADVERTISING

NEWSPAPER display advertising, according to most reports, takes first position in advertising budgets. With rare exceptions all banks use newspaper space to some degree. To those which have no facilities for preparing copy and illustrations, the A.B.A. Advertising Department supplies a valuable and widely used service. This includes newsads in mat form, covering every departmental service and special series of an educational and institutional nature. To date more than 3,500 member banks have used the service. At present over 1,100 of these receive regular monthly material. Well over five million pieces of direct mail has been published and distributed through the department and each year some 36,000 posters and 42,000 newspaper ad mats are distributed to subscribers.

In addition to this source, state associations such as Colorado, Oklahoma, Iowa and others provide special advertising copy and other advertising material for member use. The broad program of the New Jersey Bankers Association, based on the theme "Banking Relations from the Customer's Standpoint" includes newspaper mats, supplementary booklets and poster enlargements for lobby display. Members have subscribed around \$5,000 for this material which has been run in every large community in the state with excellent results.

Adapting the plan of the Ohio Bankers Association, the Wisconsin Bankers Association furnishes a free newspaper copy service for members. Special series on agriculture are prepared under the suggestions of the state college of agriculture. During the year approximately 200 banks used the association's service as issued or with local adaptations. An optional mat service will be offered in a new series this Fall.

Advertising copy ideas are culled from current bank programs, prepared in mimeographed bulletins and distributed to members by the South Dakota state association. Also a series designed to encourage the planting of special grasses as a resistant to grasshopper and drought destruction was prepared for state-wide use with the aid of state college experts. One county key banker commenting on this program drew this conclusion: "If bankers show enough interest in the program to spend money for advertising, farmers themselves will take more interest in it."

Cooperative newspaper advertising during the past year was noted especially among the mutual savings banks and savings and loan associations—in a few isolated cases by commercial banks. Savings bank campaigns were sponsored on a state-wide basis in Massachusetts and New York by several sectional groups and in a few cities. A number of

clearinghouse associations report cooperative efforts, but these have been confined almost entirely to matters affecting the group, such as changes in policy, interest rate, service charge schedules, and the like. In a few instances, however, all advertising is handled through clearinghouse committees. Special civic events and special newspaper editions have been frequently cited as timely and appropriate for cooperative effort. A number of groups report excellent results from the cooperative merchandising of such services as safe deposit and F.H.A. loans and other services.

Cooperative programs have been sponsored by the District of Columbia Bankers Association since 1925. This year the association undertook a third series on F.H.A. loans as a result of previous campaigns which produced more than 10,000 loans totalling well over \$5,000,000. Two well established values of cooperative advertising are the added force of joint appeals and the reduction of costs by pro-rating expense to those participating. It is found, however, that the effectiveness of cooperative advertising depends upon the subject matter, its presentation and other local circumstances.

35,000,000 LINES

FINANCIAL advertising, according to latest media record figures, has increased substantially during the year. Some 35,000,000 lines of display space is reported from daily papers with a large figure in country weeklies and other papers not registered with the Audit Bureau of Circulation. There has been a marked trend toward educational and institutional advertising generally. Numerous bank campaigns were directed toward counteracting anti-business propaganda and informing the public of certain basic economic facts, with a view also to impressing business executives of bank interest in taking up the cudgels. Copy themes were drawn around local industries, giving simple and self-explanatory facts pertaining to wages, employment, taxes and other factors of industrial benefits. Rational rather than emotional appeals set the tone for most campaigns. There is little evidence of one-sidedness or rancor, the banks merely relying on the public's good judgment to appraise facts to obvious conclusions.

It is significant that the "Big Business" series of the Bank of New York and Trust Company, typical of this new trend, carried off the distinguished honor as "the campaign contributing most to advertising as a social force" in the annual Advertising & Selling awards. Advertising economics has supplied many broad themes which combine institutional and actual sales appeal. Such campaigns as "What Helps Business Helps You" (Citizens & Southern National Bank, Atlanta), "Constructive Banking in the Shadow of Depression" (First National Bank of Birmingham), "The Banks Behind the People" (Commerce Union Bank-Broadway National Bank, Nashville) are typical of this style.

With public confidence as a goal, selling techniques of departmental service have been generally enlivened by dramatization. The old style impersonal campaign has given way to far more humanized appeals with even greater emphasis on the "you" motif. Despite the theory that financial advertising is handicapped in that it seeks to sell intangibles, there are many evidences that such intangibles as ideas and services have taken definite form and shape through the modern methods of financial advertising.

Banking has also improved its merchandising touch, particularly notable in service campaigns on auto loans, mortgage loans and personal credit. There is a growing tendency

to "department store" methods—with emphasis on the personal values and satisfactions rather than the attributes of banking.

Services are "packaged" for the customer. Also one finds services toned to something more than the old time sloganeering. The advent of "Pay As You Go", "Bank As You Like" checking suggests the newer approach.

Skillful use of the ad-maker's art has greatly enhanced the character and quality of bank advertising. In newspaper advertisements no orthodox formula of layout, typography or art is followed; the typical advertisement may be any one of many refreshing variations ranging up to the ultra modern. The "boiler plate" and the stereotyped styles are passé.

As a service to readers BANKING has followed and reported all new trends and ideas through editorial columns, special departments and the pictorial section during the year. More than a thousand leading bank advertisers regularly contribute proofs and specimens of current campaigns for review.

PUBLIC RELATIONS ON THE AIR

THE techniques of radio—an admixture of journalism, the theatre, the public rostrum, and the school house—have been applied to bank selling and public relations with singular success. This medium, taking the sponsor and his message into the home at a time when moods are most receptive, offers the largest block of mass circulation available. As an advertising tool it has demonstrated one fact more dramatically than any other: the selling power of the human voice. Measured by the reports on broadcasting experience received in BANKING's national survey (reported in the October issue) radio has gained a prominent place in bank advertising budgets. Although in numbers bank sponsors are still comparatively limited there are many indications that in time this medium will become as common to bank programs as newspaper, direct mail and other media.

Heading the list of bank programs in number of sponsors during the past season is the A.B.A. series "Money-Matters". Banker John Sterling, central character of the series, brought an effective sales and educational story into the communities of more than 100 institutions. These human interest playlets built around various banking service were offered to the membership with an optional choice of any 13 of 16 subjects. Several clearinghouse associations in Pennsylvania, Missouri, Colorado and Utah sponsored the series cooperatively.

In the playlets are woven dramatic incidents involving the intelligent counsel of Banker Sterling who helps his friends and neighbors by explaining how their problems may be solved through the services of his bank. Music themes introduce and close each 15-minute program. The cast, musically and dramatically, is made up of star talent including announcer Howard Clancy, widely known for his work on General Motors, Firestone and other national network shows, and Nathan Kroll directing an orchestra of musicians from the New York Philharmonic Orchestra. An appropriate set of commercial announcements is supplied for local station tie-in. This series is probably the only transcribed program on the market which combines entertainment with a pointed educational sales message particularly designed for banking. Experience reports have indicated a demand for more programs of this type and accordingly a new series will be released by the Association shortly.

Next in line of program classifications sponsored during the year is the "spot," including a wide variety of types



BANK PUBLIC RELATIONS ON THE SCREEN



A FEW STILLS FROM BANK
MOVING PICTURES



ranging from station break announcements to dramatic skits with several speaking parts. This group is used primarily for service selling and name publicity, as the short time limit does not permit the tackling of a broad educational job, but this is not to infer that spot broadcasting is ineffectual. On the contrary, more banks report favorably on spot program use than on any other type. However, the longer program units which fulfill the requirements of entertainment and showmanship consistently produce a greater volume of results than any style of spot broadcasting.

The preference for spot broadcasting is noted chiefly as a matter of cost. The range of program possibilities and the advantages gained through its flexible scheduling are also attractive to the sponsor. Of all classes under the general heading of spot broadcasting, the 50 or 100 hundred word straight commercial finds widest adoption. The figure on spot broadcasting is considerably enhanced by such cooperative programs as the savings banks of Massachusetts which through two key stations gives a state-wide coverage for its member banks.

Tie-in spot with news broadcasting ranks a close second in number of sponsors to the straight commercial. But again the figure is bolstered by the Nebraska Bankers Association which lists some 50 member banks cooperating on a state-wide basis. Other broadcast types ranking in number of sponsors in the order named are: time signals, stock market and weather bureau reports, dramatic skits, brief interviews, and short talks accompanied by sound effects. The variable cost range of spot broadcasting depending upon style, presentation, station power and time scheduled, have been reported as low as \$1 per broadcast and ranging up to yearly contracts of \$10,000, the latter including schedules on several stations. As a rule the spot type of program seems to be longer lived than any other class, no doubt because it is easily produced; the average run of those presently on the air is about four years, and the longest close to 10 years.

As a matter of program preference, musical presentations, both orchestral and choral, are most frequently reported as a central theme in the longer program units of 15 minutes or half hour. Usually classical, light opera and folk music seems to be the choice of the majority, but a few banks have leaned toward the popular varieties and "swing". This latter tempo, according to reports, attracts a wide popular audience and comparatively it leads the heavier fares in results, except in cases where a following has been developed over a period, or in programs which carry big name talent and are especially well produced.

NEW STYLES IN PROGRAMS

MANY unique program styles are listed for the past season. Word contests, "little known facts", question boxes, local sport casting, round table forums and interviews—all have been adapted to a banking story. Each in its own way has proven of value and sold services. The increasing use of new program styles indicates that the typical bank sponsor is just as open minded in accepting the arts of radio for what they are worth as anyone else. The day of the dignified, stiff-bodied program, which for its stiffness holds limited audience appeal is about to pass, if it hasn't already.

A number of cooperative merchandising and educational programs were also scheduled in recent months and without exception favorable results have been reported. Savings bank groups in Massachusetts and New York State, clearing-house associations in several states and other banks have featured programs designed as a stimulus to F.H.A. loans,

personal loans, locating dormant accounts and safe deposit selling. The Safe Deposit Association of St. Louis has probably done as outstanding a job as any in the field in recent months. At present several state associations and savings bank groups are considering cooperative programs for possible release after the first of the year. This activity, if it matures, will place broadcasting to the forefront in bank advertising. In total these programs will represent some three to four hundred banks.

For the most part, the educational uses of radio in public relations have been limited to complimentary time. Frequently local radio stations welcome talks, particularly those appealing to current public interest. The A.B.A. platform series has been used quite extensively in some sections and in addition specially prepared talks have been developed by state associations at the request of station management. The Missouri Bankers Association reports that its committee on education and public relations has given radio talks in weekly periods on a number of occasions. Oklahoma, New Jersey and California state associations have been actively contacting station managers for open time. In these and other states local stations have also cooperated in the publicity work of A.I.B. chapters.

As a general impression from the mass of material submitted in the radio study, bank broadcasting has not as yet adopted the commercial practices in radio merchandising, except in a few cases. Seldom are there merchandising tie-ups or a coordination with printed advertising. Most programs serve as a secondary medium.

The value of radio broadcasting as a matter of cost versus result often leads to much controversial argument, but it usually resolves into this fact: in radio, modest cost plus intelligent and good advertising judgment make the simple fare compete successfully with the most elaborate productions. The cornerstone of effective broadcasting, ideally suited to banking, is a broad human appeal. Programs that live up to an established radio technique and those that go beyond to pioneer new ideas, are those most likely to satisfy.

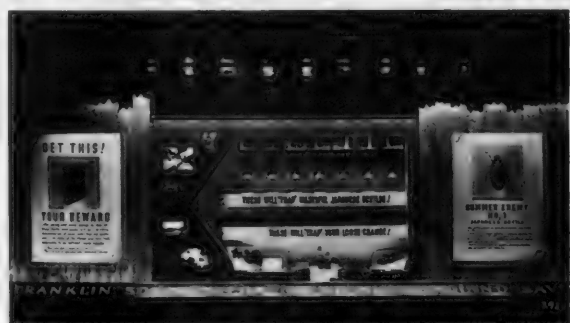
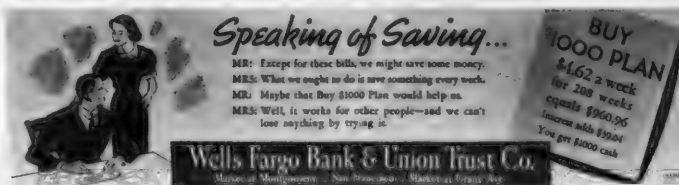
VISUAL PUBLIC RELATIONS

USE of films in banking has been extremely limited. Yet the motion picture medium has been definitely established, its usefulness unquestioned. Films, it seems, are proving to be the most timely method of getting liaison between industry and education. Reliable estimates indicate that \$17,000,000 was spent in 1937 on films by business houses, entirely separate from studio production costs. The universal public acceptance of sales and educational presentations in film form, suggest rather strikingly the unlimited possibilities which lie ahead for bank development.

On authentic reports film activity in the banking field will show a marked increase in the near future, if as and when present plans materialize and films, now in production, are released. This information is gleaned from reports received from production houses and equipment manufacturers which have contributed to BANKING's national film survey. The study, incidentally, covers case experiences of some 265 banks, and will be carried in the WORDS AND MUSIC department in future issues.

Among the state associations only three report film use and an additional one indicates interest in the medium which may take action soon. The Wisconsin Bankers Association reports a state-wide acceptance of the film "Back of Banks and Business", a production of the Federal Reserve Bank of Minneapolis loaned by special arrangement. Member banks

**BANK PUBLIC RELATIONS AS
PORTRAYED ON HIGHWAYS
AND IN LOBBIES**



have shown this film to more than 100,000 persons through civic and social clubs, churches, schools and neighborhood theatre schedules. An instance which suggests the extent of audience appeal is reported by the work of Milwaukee Chapter, A.I.B. This group cooperating with the association organized a series of showings for five consecutive days and in that period reached a total audience of 11,183. Interest was developed to the point where a waiting list of groups have requested a return engagement. The Wisconsin Bankers Association is now filling a state-wide demand for an educational film of its own, to be released as this issue goes to press.

The Oklahoma Bankers Association reports a favorable reception to its educational film depicting the ravages of soil erosion which has been routed throughout the state to member banks by the agricultural committee. The film drives home a vital story to farmers in the area and dramatically presents the basis of banking service in this emergency.

The Nebraska Bankers Association, the third group to mention film use, distributes educational films on salesmanship and other subjects as part of its loan library service to member banks. The idea is highly praised by all banks which have taken advantage of this unique service to date.

While amateur films lack the finish, and consequently the effect, of skilled technical productions, they nevertheless demonstrate the camera qualities of banking in many respects and have a place in the banking field if only as a low cost beginning.

The first "customer relations" film strip was produced recently for the Continental Illinois Bank and Trust Company. This film entitled "Sound Business" gives a pointed educational story on the proper use of the telephone, a medium of public and customer contact frequently abused. The bank reports it may consider a complete series of productions covering other pertinent subjects of employee training in the near future. This type of film has been used extensively in the industrial field as a medium of sales training.

The ready-made school market, which more than ever considers visual education as an indispensable part of the modern curriculum has not been covered, except incidentally, by present bank productions. Analysis shows only two banks consistently promoting motion picture use in the schools, both in Philadelphia: the Beneficial Savings Fund Society and the Philadelphia Savings Fund Society. This effort ties in closely with the broad educational and school savings program conducted by both banks.

While film adaptation to banking has been restricted by high production cost, and general unfamiliarity with the subject and methods pioneered by industry, there is evidence that the possibilities of film use have been considered more seriously in the past year than at any other time. Great strides are anticipated in the coming months for new banking films.

PUBLIC RELATIONS IN THE MAILBAG

FILES have swelled to the bursting point with thousands of direct mail pieces and literature specimens of every description contributed to BANKING's advertising "morgue" during the year. A wide variety of uses, impossible to catalog here, has been made of envelope stuffers, leaflets, booklets, broadsides and brochures. New ideas in physical makeup have appeared particularly in the use of cut outs and trick folds, and withal there is a definite trend toward simpler presentations. The mode is more than ever pictorial, with copy brief and clear.

High-spotting a view of the mailbag are these points: (1) evidence that more and better direct mail advertising is being produced; (2) tendency to build "family" series with uniform typography, color and stock; (3) more effective tie-ups with other media, as for example, the increasing use of newsad reprints in folder form; (4) increasing use of simple charts and pictorial statistics, especially noted in trust booklets; (5) advent of many new internal and external house-organs, with better formats and good editing; (6) coupon clipping on the increase with evidence that this form of merchandising is found effective; (7) anniversary brochures and other institutional pieces becoming less elaborate and ponderous, but still more interesting.

Doubtless every bank in the country subscribes to printed advertising in one form or another. In addition to the widely circulated A.B.A. folders, the Nebraska, New Jersey, Kansas state associations have published special series for member use. Add to these the many excellent offerings of advertising agencies and syndicate houses and it will be noted that the bank direct mail volume is tremendous, indeed.

ON THE HIGHWAYS AND BYWAYS

MEDIA executives say that bank use of both indoor and outdoor poster advertising has increased steadily for the past few years. The medium of billboards, car cards and window displays are not uncommon to bank budgets in even the smallest communities.

Painted highway bulletins and 24 sheet posters still, as a rule, feature institutional themes and name publicity but more frequently tie-ups are made with special merchandising programs. Banks in the larger cities from coast to coast have featured full showings on departmental services, particularly savings, loans and checking accounts. Judging by budget increases, this medium has apparently done a selling job. Some banks have sponsored safety campaigns and other community good-will builders such as community chest promotion, city anniversary, local fairs and other events. A point most notable is the more general use of modern style illustrations—those which blend readily to crisp, colorful eye-stopping sales messages.

A few new "spectaculars" have graced the main arteries of larger cities featuring animated and illuminated bank messages. One especially ingenious device, reported by the Savings Bank of Utica, glorifies the ever-popular clock appeal with a neon pendulum which, as it swings back and forth, spells out the word "security". Other unique displays have been designed around outdoor thermometer, animated pictures, use of flicker lights and neon.

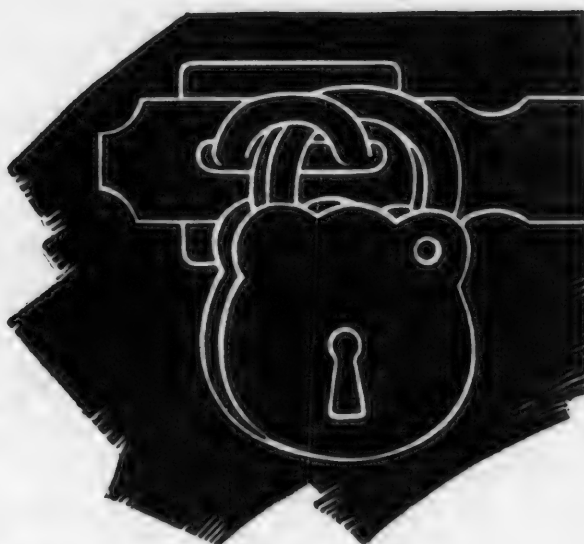
Car card advertising, step cousin to billboards, has also had its share of the bank budget. The medium has been used effectively to break an advertising message quickly, to round out programs, to tie in newspaper advertising and lobby displays, and for continuous all-year messages. The perfection of silk screen process which cuts card production costs and permits the advertiser in most cities to buy locally and on short order, thus keeping the message timely and flexible, has helped attract wider bank use of the car medium.

With all due respect to the advertising value of billboards, car cards and typical lobby posters, from the viewpoint of public relations it is more interesting to note the progressive development of educational displays and exhibits. Such popular community appeals as hobby shows, flower shows, photographic salons, exhibit of farm products, local industrial products, historical materials and a long list of mothers have found much favor. Window dressing has also been given over to educational bank themes and dramatized tie-ins with subjects of timely local interest.

LOCK THE BARN

Before

THE HORSE IS STOLEN



Don't wait until declining sales and profits may have FORCED you to say, "My business needs Management Engineering!" Call for the services of the George S. May organization NOW.

The future of your company may depend on your decisions of today regarding problems of management, production, office procedure, sales and advertising methods . . . or all of your business operations in combination.

Their record on over 2,200 jobs of Management Engineering is eloquent testimony that May Engineers . . . experienced in solving ALL business problems . . . can help you find the way to better business and greater profits now, as well as help guard against unseen eventualities of the future.

Address the nearest office listed below. A consultation will not obligate you and may prove of inestimable value.



GEORGE S. MAY COMPANY

CHICAGO
2600 North Shore Ave.

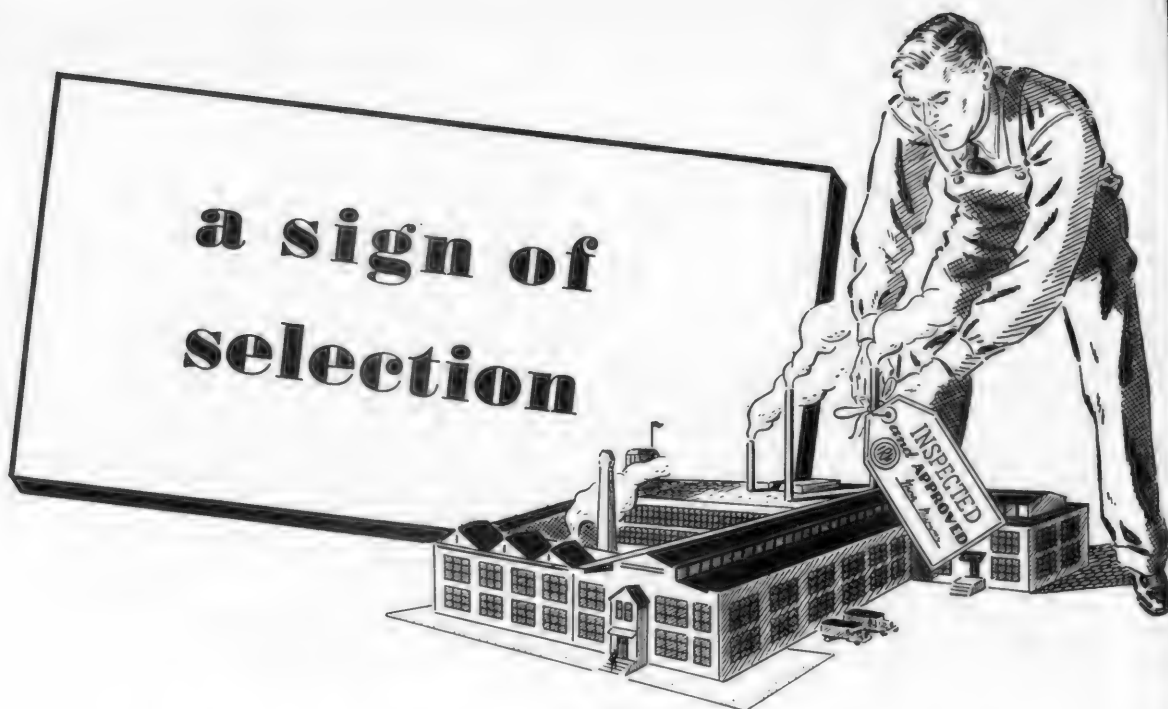
SEATTLE
710 Second Avenue

ATLANTA
138 Peachtree St.

NEW YORK
122 East 42nd St.

CANADA: George S. May, Ltd., 120 Bay St., Toronto

OFFICES IN 15 OTHER PRINCIPAL CITIES



...A MARK OF INSURANCE SAVINGS

When IRM fire-prevention engineers report that your property is eligible for one of IRM's participating policies, it means that they have gone over your premises from basement to roof, and that fire hazards have been reduced to a minimum.

By accepting only desirable risks, by improving others until they also reach this high standard, and by sound management, IRM keeps losses down, and thus reduces your insurance costs. Furthermore, IRM's staff of fire-prevention engineers regularly reinspects properties to be sure that risks remain prime.

On these basic principles rests the sound indemnity of IRM—principles which have enabled this group to return 25% of premiums to participating policyholders every year, and which have helped many businesses to avoid fire's interruptions with accompanying loss of customers.

May we send a representative to study your insurance needs?

IMPROVED RISK MUTUALS

60 John Street, New York



A nation-wide organization of old established, standard reserve companies writing the following types of insurance:

- Fire • Sprinkler Leakage • Use and Occupancy • Tornado and Windstorm • Earthquake • Rents • Commissions and Profits • Riot and Civil Commotion • Inland Marine

BANKING

The Year's Book Crop

By ALBERT W. ATWOOD

The writer is a nationally known authority on business books and commentator on current events.

IT is a very common trait these days to want to know what other people are reading. "Best sellers", especially in the field of fiction, play a large and important part in modern life. For just as there are fashions in the length of women's skirts, or in the kind of hats they wear, so there are fashions in books. Never to have heard of *Gone With The Wind*, a couple of years ago, was to write oneself down as backward. One might as well never have heard of F. D. R. or of Shirley Temple.

Fashions do not reach such extremes in non-fiction books, but even here the waves of popularity rise and fall. Each year we have books on business or allied subjects which attain a great vogue.

To be completely oblivious to these books argues oneself indifferent to the public mind, and that is not a wholesome state of ignorance for the banker to be in. Yet no one can read them all and do anything else.

The books in the accompanying list have had an impressive vogue during the past year. They are important for that reason if for no other; they show the wind's direction.

Several of them could hardly fail to be extremely distasteful to the readers of this magazine; they certainly have been to the writer of this summary. One of the most widely read would surely be actually repugnant to the subscribers of *BANKING*; in fact, a distinguished United States Senator has described it as "garbage".

But we cannot dismiss books just because we do not like them. Perhaps we are wrong and the authors are right. Some have a distinctly leftist slant. Others are more or less conservative. Many run to 500 or 600 pages. Such enormous length necessarily limits their circle of readers. It is no task to read a clearly written 200-page book, but 600 pages constitute a real burden. Some authors seem never to have acquired the ability to condense. Nothing is left out.

With this introduction let us get at these books.

THE FOLKLORE OF CAPITALISM

BY THURMAN W. ARNOLD

THIS is a clever and, in places, penetrating and important book. It has many defects, but, taken by and large, it should probably rank first on any list of recent non-fiction. Yet even a careful reading fails to provide a quick answer to the natural question as to what is Mr. Arnold's subject.

In the main it is a cynical, at times even sneering, but mostly shrewd arraignment of American economic society, with special attention, of course, to the weaknesses of our corporate system. All writers nowadays must have at least one chapter on that theme. But let no one think that Mr. Arnold's thrusts at big corporations are not keen. He refers to the fact that thousands of their employees are cooped up in expensive, inefficient Manhattan Island when efficiency requires that they be nearer the plant. This, he points out, is merely a form of inconsistent ceremony.

Next to his tilt against the corporate structure, the main theme of the book is a defense of what is vaguely known as the New Deal. For the most part it is an excellent defense—vigorous, full of clever satire, making abstractions real. One does not wonder that this professor of law at Yale University was made a high official of the Department of Justice.

In his way of thinking, practically everything the Government does is right and everything the business man does is wrong. With the greatest possible spirit and skill he attacks the idea that the budget should be balanced and tries to prove that heavy expenditures are the only proper course. He ridicules those of us who were afraid of the sit-down strikes in the Summer of 1937, and has only kind words to say for John L. Lewis.

Even the most violent anti-New Dealer will have to admire the satire he uses against his enemy. Conservatives, he points out with deadly effectiveness, have always liked Norman Thomas because they know he can never get anywhere, but they hate Franklin D. Roosevelt just because he has gotten somewhere. In the same way, he says, the most respectable Victorians enjoyed reading about illicit love in Tennyson's poems, but even Tennyson himself would have moved out of the neighborhood if any of the couples described in his own poems had moved in.

But his fire against the hateful adversary is not always as withering as this. For example, Mr. Arnold, evidently believing that the best defense is a good offense, attacks in every way he can what he calls the abstraction of the "thinking man", or what are sometimes described as "sensible" or "sound" people. Carried away by his own argument, he sneers at "the thinking man who chooses the reasoning of the Brookings Institution". It is certainly cheap writing to try thus to dispose of the calm, scientific studies of the Brookings Institution merely because they do not always see eye to eye with the New Deal.

Everything that Mr. Arnold does not like he disposes of by linking it up with creeds, theology, mythology or folklore. Hence the title of the book. At times this is rather effective. For instance, he says the modern devil (among anti-New Dealers) is a myth known as a demagogue. Also he says that conservative Americans have regarded "government interference" as a devil and the business man as a hero. But he rides this myth business too hard; one gets very tired of it after awhile, and it is no real substitute for logic.

At times the author is so reckless in his statements that they might almost be described as false. The predominant figure in American mythology, he points out, used to be the business man, and then he adds that "the colleges and universities were endowed to prove that the predominant divinity was supported by reason and scholarship." Such an extreme and spiteful assertion not only defeats itself but discredits any claim to dispassionate quality that the book might otherwise have.

Mr. Arnold has many passages on the Supreme Court, but they seem rather superficial, containing little except more New Deal spleen on the subject. But, as stated at the beginning of this summary, the book is not to be lightly set aside. Its keen thrusts at the conservative position bear close atten-

tion. He says that the respectable, able, well thought of and conservative elements are unable to take part in new types of social organization. Perhaps the statement is not true, but it is one which the elements referred to should consider with extreme care.

At the very end of the book, Mr. Arnold deserves close attention. He says that President Roosevelt expresses for the majority of the public a distrust of old myths and a belief that the Government has a new rôle to play. This personality of the President, he says, dominates everything just because there is not as yet a sufficiently definite philosophy expressing the feeling of the people. The personality will fade as the philosophy becomes more clearly etched and widely accepted.

His last sentence is a very hot and effective shot at blind Constitution worshipers. "The greatest destroyer of ideals is he who believes in them so strongly that he cannot fit them to practical needs." This last sentence contains what is valuable in the book, for conservatives to heed, be they bankers or what not.

AMERICA'S SIXTY FAMILIES

BY FERDINAND LUNDBERG

THE theme of this lengthy book is that the United States "is owned and dominated today by a hierarchy of its sixty richest families, buttressed by no more than ninety families of lesser wealth." Oswald Garrison Villard, for many years owner and editor of *The Nation*, and long recognized as one of the leading liberals, if not radicals, of the country, in a review of the book says that it is the "high water mark of bitter muckraking", that it contains nothing new and that it is so extreme that "the pity of all this is that it weakens not only the book before us, but the whole case for the equalization of wealth in this country. . . . Unfortunately this is not in the least an objective book."

Mr. Lundberg's volume came in for a great amount of notoriety early this year when two of the President's high officials gathered inspiration from it for bitter attacks upon business. In one case this had unfortunate results, if not for the book at least for one of the speakers, Secretary Ickes. For Senator Bailey, it will be recalled, read a passage from the work in which frequent bathing by the rich was suggested as possibly indicating "a sense of guilt". The Senator then called pointed attention to the fact that the new Interior Department Building, over which Mr. Ickes presides, is full of baths, with an especially luxurious one in Mr. Ickes's own suite.

But despite this harmless horse-play, and even admitting Mr. Lundberg's combative spirit in his lengthy replies to many criticisms in *Editor and Publisher*, *Annalist* and other publications, such a biased and prejudiced book does not seem to this observer to have any importance whatever, except as it indicates an attitude of mind which is so unfortunately prevalent today.

Mr. Lundberg simply warms up and repeats all the muckraking and all the revelations of the past generation or two in regard to the evils of politics, monopoly, high finance and Wall Street, and tries to tie all this up with the very few rich families. As Mr. Villard points out, "everything they touch is suspect; their every association, even their philanthropies, are to be condemned."

Mr. Lundberg devotes several long chapters to the newspapers and magazines, attempting to show how subserviently these publications are dominated by the very rich.

He seems to have a special peeve against *Time* and *Fortune*, but I suspect they are quite capable of taking care of themselves.

He says the *Saturday Evening Post* has always automatically jumped to the defense of the rich, but he gives only four instances, and one of these has no bearing upon the case. Considering the fact that the *Saturday Evening Post* was under the same editor and management for nearly 40 years and brought out an issue every single week, three, or even four cases of articles in defense of the very rich in two thousand numbers, do not seem especially shocking.

It is interesting to dig, here and there, into Mr. Lundberg's statements of fact. On page 218 he says that President Coolidge in 1927 replaced Mr. Crissinger as Governor of the Federal Reserve Board with Roy A. Young, "a Louisiana business man". According to *Who's Who*, Mr. Young was born in Michigan, was educated there, went to work as a messenger in a Michigan bank, rose through various Michigan banks, became Governor of the Minneapolis Federal Reserve Bank, and then went to Washington. The error is of no importance except for its indicative quality.

Or turn to his list of rich families which he says have no "reasonable claim to significant philanthropic inclination." Among them he mentions the Metcalfs, presumably of Rhode Island. His description of this particular family will certainly come as a surprise to well informed residents of Rhode Island, who know of many millions of dollars which the Metcalfs have given away.

But let us turn to more important matters. For instance, he disposes of Mr. Stimson, the distinguished former Secretary of State, by describing him as having two first cousins in the banking house of Bonbright & Co., "the public utility arm of J. P. Morgan & Co." Evidently it is a crime to have cousins in a banking house!

But the height of the preposterous, almost of the ludicrous, is when the author says that "a further utility flavor was given the Administration by the appointment of Ray Lyman Wilbur as Secretary of the Interior," because, forsooth, Wilbur had been president of Leland Stanford University, which owned a lot of utility securities. Sheer misinterpretation, either conscious or unconscious could go no further than this.

But we come to more serious matters when we note that on January 7, 1938, E. I. du Pont de Nemours & Co. filed its complaint in the United States District Court for the Southern District of New York in a suit for alleged libel against Lundberg and his publishers. In the first six printings of the book, Mr. Lundberg told how, according to him, the du Ponts had allegedly defrauded the Government during the war.

The suit, however, was not pressed, because in a very widely published retraction, both author and publisher admitted they had been in error and withdrew the charges. How careful they were to make a complete recantation is indicated by the fact that a copy of the retraction was found this past Summer pasted in a copy of the book in a small public library in a little remote New England mill town far off the beaten track. Evidently the author and publisher took no chances on the du Ponts changing their mind and going ahead with the suit.

Mr. Lundberg's work contains much interesting data about the very rich, and could serve as a useful reference work, provided one maintains a continuous and never relaxing vigilance and caution in its use. His methods of estimating the fortunes of the very wealthy have been widely

challenged and spiritedly defended by him. In brief, he multiplies the income taxes paid by the very wealthy by 20, 30 or some such figure, to discover the amount of their wealth.

Years ago Edward White, chief statistician of the Bureau of Internal Revenue, at a meeting of the American Statistical Association, derided this method of estimating wealth, and I had supposed that it had long ago been discarded by all real students of wealth and income.

HISTORY OF THE BUSINESS MAN

BY MIRIAM BEARD

THIS book starts way back in ancient Ur of the Chaldees and brings the business man down to the present moment. It is quite free from prejudices and in a sense is an economic history of the world. The author feels that it is strange that so few histories of the business man have been written; one reason being that much of our historical science is drawn from Greece and Rome, which despised the business man, and from modern Germany before he became a factor there.

She says further that the distinctive qualities of the business man, thrift, temperance, reticence, hard work and domesticity merely weary the average reader who wants heroes instead. Besides, the main body of business men are too timid, too busy and too rationalistic to cut capers. Nor have they committed enough really horrid crimes to put them in many books.

One of the most interesting chapters concerns Holland, with its merchant aristocracy. There are excellent chapters on the industrial revolution in Scotland and England, and a clear description of how and why the North of Britain favored the Union cause in the Civil War and the southern English gentry, the Confederates.

Another fascinating passage tells how many of the richest men in England, France, Russia and the United States have been of German origin. Astor and Rockefeller were the best known here; there were the Beits of South Africa, the Barings of England, and Sir John Ellerman who left the largest fortune ever made in England, the Rothschilds in France, and the founder and master of modern Russian industry, the astonishing Ludwig Knoop.

In conclusion Miss Beard says the real aristocracy in this country are the movie stars of Hollywood, and those of the radio. These serve the purpose, she says, of the dukes and duchesses of Europe, who divert themselves as well as the masses, thus fortunately distracting attention from the wealthy business men. An aristocracy of movie stars is best for purposes of business, she wisely says, because they can and do rise from the common people and have a very rapid turnover. It provides an excellent safety valve for the business classes.

She concludes by saying that American business men need a creed of their own and cannot merely copy one from Europe. In other countries business men have found a solution to social problems by joining the aristocracy, but that won't work here, says Miss Beard. But she fails to supply the missing creed.

WHEN LABOR ORGANIZES

BY ROBERT R. R. BROOKS

THE title of this book is an accurate description of the contents. It contains much useful information, although nothing very new. One of the best chapters is the first, which describes in a very human, personal sort of way just how a

labor organizer goes about his work. The book, while fair in some respects, is distinctly pro-union. It presents in minute detail all the more unpleasant sides of anti-unionism, ascribing for the most part only selfish motives to the employer's attitude.

The deep, far-reaching question of whether the employer loses not only discipline but the efficiency necessary to keep up in the competitive game, if he gives in so completely to the union, receives very scant consideration. The analysis of the National Labor Relations Act is hardly satisfactory, the author assuming that the law will settle jurisdictional disputes.

The last few pages are significant. The author admits that if practically all gainful workers join labor unions wages may be pushed up and prices held down to a point where all profit goes out of private industry. He is not the first observer to recognize that labor unions are a grand thing for a few million members but a terrifying social Frankenstein when everybody joins them. He holds, however, that there is no other way to "real democracy", and sorrowfully, if inconsistently, admits in the last few sentences that "perhaps democracy may not emerge lily white from such a labor movement", and that what is likely to emerge is "one more form of despotism".

THE 168 DAYS

BY JOSEPH ALSOP AND TURNER CATLEDGE

THIS is a vivid day-by-day, almost minute-by-minute, account of President Roosevelt's unsuccessful attempt to place six new judges upon the Supreme Court. It is fair, calm, free from wisecracks and gives internal evidence of being a careful, accurate piece of journalism.

The one rather startling new fact brought out is that the President, early in his first administration, tried to get Chief Justice Hughes to "cooperate" with him in regard to legislation, and was rebuffed. The authors insist again and again that the President never had any doubt until the very end that his court bill would go through. It is quite evident from reading the book that the authors had the advantage of much first hand information from Senators, Representatives and the like.

MIDDLETOWN IN TRANSITION

BY ROBERT S. AND HELEN M. LYNDE

IT IS a great relief to turn from Lundberg's or even from Arnold's volume to this markedly fair, objective and dispassionate piece of readable research. In 1925 these authors (husband and wife) made a detailed study of a typical mid-western city, which they called Middletown, and which is unquestionably Muncie, Indiana. Ten years later they studied the same city all over again, making some corrections of text as late as 1936.

There are minutely detailed chapters on how people earn a living in Middletown, on employment, relief, marriage, divorce, birth rate, health, education, religion, the spending of money, local government, the press, and so on. The authors are rather severe on business men as a class, and give an impression of being a trifle sarcastic in regard to the extreme opposition to New Deal measures. But in the main they are amazingly fair; occasionally indulging in delicious bits of humor.

They feel that the ruling classes in Middletown unduly oppose social change; they say there is less opportunity to

rise from the bottom in this industrial city than formerly; they find that such a city tends to have only usual personalities, usual jobs and usual recreations. Its cultural pattern is too rigid.

Their chapter on the X family, the well known Ball family of glass jar and railroad fame, is a model of what an objective study of the very rich should be. If we could have a whole book on America's wealthy families in this style instead of Lundberg's, it would be a consummation devoutly to be wished for.

THE PROMISES MEN LIVE BY

BY HARRY SCHERMAN

THE NATION has described this book as reactionary, but most of the statements in it cannot be successfully controverted. In reality this is nothing but another of many attempts to write a book on economics in general from a new viewpoint. To me it seems a rather bold attempt, and in the main successful. The central thought is by no means new but rarely, if ever, has it been so clearly and forcibly emphasized.

Mr. Scherman's thesis is that as a rule men are honest, and this fact alone has made our material civilization possible. The most salient fact about the modern world, he asserts, is that men carry out their promises. He develops his theme in great detail in respect to wages, money, banking, wealth and so on. One of his most interesting chapters concerns the subject of mortgages. His book contains a strong and detailed defense of the gold standard.

There are veins of pure gold of common sense running through the book. For instance, he vigorously defends the function of the middleman, saying that most of us are like spoiled little princes, clapping our hands and expecting somebody to bring us what we want without paying for it.

Possibly Mr. Scherman rides his thesis too hard; he interprets everything in terms of the purely economic concept of the promise to pay, neglecting physical, environmental, social and political factors. Speaking broadly, however, his book is like a clear, refreshing breeze. He interprets life too exclusively in economic terms, but it is a clarifying, invigorating type of economics.

BULWARK OF THE REPUBLIC

A Biography of the Constitution

BY BURTON J. HENDRICK

A CLEAR, simple, skillfully written history of the Constitution, largely from the biographical angle. Although intended for the layman, it is sufficiently thorough. The chapters, while brief and pointed, are meaty. Interest is held throughout, and the short but clearly etched portraits of key figures, such as Madison, Hamilton and James Wilson, and justices like Marshall, Harlan and Holmes are very helpful.

The Constitution, says Mr. Hendrick, is more than a succession of court decisions. It involves men and events; it is not only judicial interpretation, but biography and history. Jackson's handling of Nullification, Webster's reply to Hayne, Lee's surrender to Grant, the failure to impeach Johnson—events like these have given the Constitution flesh and blood and a nervous system, to add to its dry bones. This explains what is an anomaly to Europeans, the concentration in this country upon a written document of the devotion and loyalty which other nations give to dynasties.

Mr. Hendrick does not bring his narrative down to the present time, except in an introduction, which is less effective than the body of the book.

THE LIFE OF ANDREW JACKSON

BY MARQUIS JAMES

THIS, the second volume of Mr. James' work, is a warm, vivid, dramatic biography of one of the most colorful of American Presidents. A vast mass of varied material and thousands of minute details have been made readable. It is the kind of book which one should pick up every evening for a year to browse in for sheer pleasure.

It is not a book from which a banker can easily gain a clear picture of early American financial and banking policies. Not but what the chapters on the Bank of the United States are well written. But the book is concerned almost entirely with personal details, and lacks general appraisals, summations and evaluations, both in the historical and economic fields.

Has Your Bank a Library?

HERE are brief notices of some books recently published or soon to be published:

Capitalism in Crisis. By James Harvey Rogers. (Yale University Press, \$2.50). Professor Rogers presents some of the main reasons for "the present decline of capitalism as a method of distributing goods to most of the people most of the time." Current economic problems are discussed.

The Causes of Economic Fluctuations. By Willford I. King. (Ronald Press, \$3.50). The author gives the essential conclusions from a wide research of many concepts and analyses of booms and depressions.

Financial Organization and the Economic System. By Harold G. Moulton. (McGraw-Hill, \$3.50). This text is built on the foundation of Dr. Moulton's *The Financial Organization of Society*, published in 1921 and now rewritten.

Slump and Recovery, 1929-1937. By H. V. Hodson. (Oxford University Press, \$4.25). Subtitled "A Survey of World Economic Affairs", this book follows the international economic curve from crest to crest.

The Growth of Chicago Banks. By F. Cyril James. (Harper, 2 vols., \$8). The financial history of the Midwest is told as a human narrative showing the dependence of indus-

trial development upon the banking growth of Chicago.

Currency Depreciation and Monetary Policy, 1929-1935. By Milton Gilbert. (University of Pennsylvania Press, \$2, December). The experiences of Australia, England, Sweden, and the United States are studied to show their effect on world economy.

The Theory of Investment Value. By John Burr Williams. (Harvard University Press, \$5). This book aims primarily at codifying investment value theory and making it into a department of economics. Case studies are given.

Revenue Bonds. By John F. Fowler, Jr. (Harper, \$3). The nature, uses and distribution of fully self-liquidating public loans are considered in this book for investment bankers and investors.

The Legal Aspects of Money. By F. A. Mann. (Oxford University Press, December, probably \$7). Money in general and problems connected with foreign money obligations are here considered. Many American cases are cited.

Investment Salvage and Railroad Reorganization. By Harold Palmer. (Harper, \$2). Explains possible consequences and benefits of recent Federal bankruptcy and reorganization laws to the owner of railroad securities.

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Government Lending Agencies

The following summary of the Government lending agencies, prepared by GEORGE E. ANDERSON, brings up to date a similar summary published by BANKING in March 1936.

TWO features characterize the development of the more than two score credit agencies of the Government of the United States during the past two years. One is the consolidation and rounding out of the permanent agencies into a complete system. The other is a tendency on the part of some of the more important emergency agencies to become permanent. The outstanding example of the first feature is the Farm Credit system; that of the second, the Farm Security Administration. Several of the important agencies have taken on new powers and have undertaken new responsibilities of a most vital sort. The new Maritime Commission is an example of this development. There has been a considerable shifting of functions, a merger of many emergency into permanent combinations, and a tendency to perpetuate emergency functions by shifting them to permanent agencies. There are a number of new agencies.

The Farm Credit system, as of June 30, 1938, had total loans outstanding of \$3,336,117,875. This total is slightly less than that at the end of 1936, as a result of a reduction in the amount of mortgage loans held by the Land banks. The chief development in the system as a whole has been the increase in short-term credit used by farmer borrowers. In the organization of the Administration the chief development has been a consolidation of the management of all its agencies by combining the directorates of all agencies in each district into the same personnel, which contains representatives of each agency and, particularly, representatives of the borrowers from each agency.

Another example of consolidation is the Farm Security Administration. Inaugurated as an emergency agency, it has become permanent through the enactment of the Farm Tenancy Act. To this permanent establishment have been added such emergency functions as those of the Resettlement Administration, the Rehabilitation Administration, Subsistence Homesteads and the like.

The establishment of the United States Maritime Commission as a permanent agency for dealing with subsidies for, grants and loans to, and the control of the nation's merchant marine is generally considered the most constructive feature of developments in the Government credit line in recent years. It is a question whether the new United States Housing Authority is not also in the same class as a permanent institution, although presumably its operations are limited by its appropriations and security issuing power.

Various obsolete agencies of the Government have involved credit operations. Loans by most of these concerns have been liquidated or written off. Among the agencies which have involved credit operations of some sort have been the United States Housing Corporation; the United States Spruce Production Corporation; and the United States Railroad Administration. Loans or other credit in all these agencies have been liquidated in one way or another. The Navy Department has credit outstanding totaling \$4,707,806 on account of the sale of surplus war stores.

The use of Government funds for private credit has come to stay. The only question about it is where the line will be drawn, both with respect to the extent of its use and in the

matter of further development. Some of the minor agencies in time may be discontinued but it is difficult to avoid the conclusion that so long as credit is needed by particular classes of the population or for special purposes the Government agencies will continue to function if, indeed, they do not continue to increase in the scope of their activities and in the amount of credit they put out.

The lending agencies of the Government are listed in the following pages with a very brief factual review of their powers and activities and the amount of business they are doing. With a view of giving more definite and authoritative indication of their present and future operations, BANKING has obtained the cooperation of the heads of the principal agencies in statements which speak for themselves. In considering all these statements and the data given, however, due allowance must be made for the fact that, in some of the minor agencies, constant changes are made in their methods, objectives and relations to other agencies as well as to the public at large. Many of them operate under or by authority of Executive orders and their work can be and often is quickly modified to meet new conditions or to attain new objectives. Government credit is not only permanent; it is also adaptive, fluid, and in some cases highly effective.

CENTRAL BANK FOR COOPERATIVES

ESTABLISHMENT. Organized and chartered by Governor of Farm Credit Administration, June 16, 1933.

AUTHORITY. Farm Credit Act of 1933.

LIFE. This is a permanent institution.

PHYSICAL ORGANIZATION. Maintains an office in Washington, D. C.

MANAGEMENT. The Cooperative Bank Commissioner of the Farm Credit Administration, appointed by the President, is chairman of a board of directors of seven; three members of the board are named by the Governor of the Farm Credit Administration from borrowers from the institution. See *Management*, Federal Land Banks.

LENDING FUNCTIONS. Discounts for district cooperative banks and supplements them in loans to farm cooperative associations; bank has taken over lending activities of Federal Farm Board under Agricultural Marketing Act revolving fund. Loans outstanding as of June 30, 1938, \$24,603,620.

TERMS. Physical facility loans must be repaid before 20 years; other loans are repaid at the end of the particular marketing seasons.

RATES. Prevalent rates are 2, 3 and 4 per cent, depending upon the character of the loans; rates cannot exceed 6 per cent.

CAPITAL FUNDS. Initial capital of \$50,000,000 subscribed by the Governor of the Farm Credit Administration from the Agricultural Marketing Act revolving fund. This may be augmented at any time by the Governor of the Farm Credit Administration. Additional capital is provided by the borrowing cooperative associations, which must pay 5 per cent of each loan into the bank as capital or into a guaranty fund where state laws prohibit them from owning stock.

OTHER FUNDS. May issue debentures up to five times the paid-in capital and surplus; this license has not yet been utilized. The bank can and does rediscount most of its commodity loans with the Intermediate Credit Banks.

COMMODITY CREDIT CORPORATION

ESTABLISHMENT. Created under laws of Delaware, October 17, 1933, under Executive Order of October 16, 1933.

AUTHORITY. Agricultural Adjustment Act of 1933 and subsequent amendments.

LIFE. Life is limited; corporation will function as Government agency to June 30, 1939, or such earlier date as President may fix.

PHYSICAL ORGANIZATION. Maintains an office in Washington, D. C., and a statutory agent in Delaware, as required by law; operates through certain designated agencies of the Reconstruction Finance Corporation.

MANAGEMENT. Operations are controlled by a board of ten directors including representatives of the Secretary of Agriculture, the Governor of the Farm Credit Administration, the Administrator of the Agricultural Adjustment Administration, the manager of the Cotton Producers' Pool, a representative of the R. F. C. and of other Government agencies. Active management is by an executive committee of three representing the R. F. C., the F. C. A. and the Department of Agriculture.

LENDING FUNCTIONS. Lends to producers of cotton, corn, wheat, wool, tobacco, fruits, gum turpentine, and gum rosin and other agricultural products designated by the President under a policy aimed to further the Agricultural Adjustment Administration production control. Can buy, sell and otherwise deal in any commodities.

TERMS. The loans are seasonal in character. Usually run 6 months subject to renewal.

RATES. The rate is 4 per cent on direct loans and 3 per cent plus 1 per cent discount on loans through banks and other agencies. Loans outstanding June 30, 1938, \$241,134,842.

CAPITAL FUNDS. Capital of \$100,000,000 wholly owned by the United States. If audit at the end of March each year shows net worth less than \$100,000,000 the Secretary of the Treasury shall subscribe additional capital to make good the deficit. If an excess of \$100,000,000 is shown the excess is deposited in the Treasury. Impairment made good in June 1938, \$94,285,404.

OTHER FUNDS. The Corporation is authorized to issue tax free obligations up to \$500,000,000 at any one time guaranteed as to principal and interest by the Government. Outstanding obligations as of June 30, 1938, \$200,000,000. Outstanding loans, \$238,714,019 on cotton, etc.

DISASTER LOAN CORPORATION

ESTABLISHMENT. Organized in February 1937 under specific Act of Congress.

AUTHORITY. Act of Congress of February 17, 1937.

LIFE. Has succession until dissolved by Act of Congress.

PHYSICAL ORGANIZATION. Operated as a division or bureau of the Reconstruction Finance Corporation.

MANAGEMENT. Organized and managed as a private corporation by officers and employees of the R. F. C.

LENDING FUNCTIONS. Makes such loans as it may determine to be necessary and appropriate to relieve distress from the effects of floods or other catastrophes.

TERMS. Determined in each case by the Corporation.

RATES. Determined in each case by the Corporation but usually follow rates charged by the R. F. C.

CAPITAL FUNDS. Capital of \$20,000,000 authorized by Congress to be advanced by the R. F. C. Actual capital allotted, \$10,000,000. The capital advanced was taken from the balance of an allotment of \$50,000,000 which the R. F. C. was authorized to lend to sufferers from catastrophes in 1936.

OTHER FUNDS. The Corporation is authorized to use all its assets, including capital and net earnings, to carry out the purpose of its establishment. Loans outstanding as of June 30, 1938, \$5,837,513.

DISTRICT BANKS FOR COOPERATIVES

ESTABLISHMENT. Organized and chartered by Governor of Farm Credit Administration, June 16, 1933.

AUTHORITY. Farm Credit Act of 1933.

LIFE. These banks are permanent institutions.

PHYSICAL ORGANIZATION. 12 banks are maintained in the 12 Federal Land Bank District cities.

MANAGEMENT. The banks are supervised by the Cooperative Bank Commissioner of the Farm Credit Administration, appointed by the President; their directors are also, and ex-officio, the directors of the Federal Land Banks, including one director elected from the borrowers from the Banks for Cooperatives. See *Management*, Federal Land Banks.

LENDING FUNCTIONS. Lends to national, regional and local farm cooperative associations; banks have taken over the lending functions of the Federal Farm Board under the Agricultural Marketing Act revolving fund; loans are operating, commodity and physical facility. Loans outstanding as of June 30, 1938, \$56,586,875.

TERMS. Physical facility loans must be repaid before 20 years; other loans are usually repaid at the end of the particular marketing seasons.

RATES. Prevalent rates are 2, 3 and 4 per cent for commodity, operating and facility loans, respectively. In no case may they exceed 6 per cent.

CAPITAL FUNDS. Initial capital of \$5,000,000 for each bank, subscribed and paid-in by the Governor of the Farm Credit Administration from the Agricultural Marketing Act revolving fund, later increased by \$40,000,000 to a total of \$96,000,000; additional capital is provided by the borrowing cooperative associations, which must subscribe 5 per cent of each loan as capital or pay it into a guaranty fund where state laws prohibit them from owning stock. Such capital on June 30, 1938, was \$3,294,700.

OTHER FUNDS. The banks may not issue debentures; capital may be increased or decreased as needed by the Governor of the Farm Credit Administration. Need of current funds met by rediscounting with the Central Bank for Cooperatives and the Intermediate Credit Banks.

ELECTRIC HOME AND FARM AUTHORITY

ESTABLISHMENT. District of Columbia corporation organized August 16, 1935, to succeed a Delaware Corporation organized January 17, 1934, under Executive Order.

AUTHORITY. National Industrial Recovery Act, Executive Order and subsequent legislation.

LIFE. Lending authority, first limited to March 31, 1935, now extended to June 30, 1939.

PHYSICAL ORGANIZATION. Head office in Washington with branch offices in Los Angeles, Minneapolis, Atlanta and Chicago. Original business largely confined to the Tennessee Valley.

MANAGEMENT. Self-supporting corporation managed by a board of 7 trustees, all officers or employees of the R. F. C. and all elected by the Government as owner of stock.

LENDING FUNCTIONS. Finances consumer purchases of electrical appliances, plumbing equipment, household appliances and limited list of dairy and agricultural equipment by purchasing consumer paper from dealers, largely through utility companies which for the most part make

collections. Loans outstanding, June 30, 1938, \$6,754,530.

TERMS. Financing runs from three months to four years depending upon the amount involved and the nature of the appliances purchased.

RATES. Interest added to principal and all amortized on a monthly basis according to an established schedule based upon approximately 7 per cent per year.

CAPITAL FUNDS. Original capital of \$1,000,000 allotted by the P. W. A. under the original P. W. A. appropriation Act. \$850,000 paid in.

OTHER FUNDS. Corporation borrows from local banks for working funds. It also has a commitment from the R. F. C. for any additional funds needed and not available through normal channels.

EMERGENCY CROP AND FEED LOAN OFFICE

ESTABLISHMENT. Secretary of Agriculture commenced making loans in 1921. Operations taken over by the Farm Credit Administration in 1933.

AUTHORITY. Farm Credit Act of 1933 and subsequent legislation.

LIFE. Depends upon annual appropriations.

PHYSICAL ORGANIZATION. Maintained as a division of the Farm Credit Administration and operates through district offices of the latter. Has 11 regional offices.

MANAGEMENT. Controlled by a Director of Division appointed by the Governor of the F.C.A.

LENDING FUNCTIONS. Makes loans to farmers for crop and feeding purposes where such credit cannot be had through the ordinary agencies of the Administration. Loans also made to sufferers from droughts from a special fund appropriated for the purpose.

TERMS. Loans in theory are made for the current crop or feeding season, but from the nature of the loans and the credit standing of the borrowers most loans are carried over from season to season. Loans secured by lien on crops. Drought loans are unsecured.

RATES. Until the current year loans carried $5\frac{1}{2}$ per cent interest. Loans now made at 5 per cent.

CAPITAL FUNDS. None.

OTHER FUNDS. Loans from 1921 to 1935, inclusive, were made from annual appropriations for the Department of Agriculture, part of the time through allocations from the R.F.C. Since 1936 loans have been made from allocations by the President from relief funds. Aggregate loans up to June 30, 1938, over \$350,000,000. Amount outstanding on that date, \$128,544,554. Drought relief loans inaugurated in 1934 by allotment of \$96,785,000 from blanket drought relief appropriation of \$525,000,000. Total loans made, \$72,008,540. Amount outstanding June 30, 1938, \$55,987,329.

EXPORT-IMPORT BANK OF WASHINGTON

ESTABLISHMENT. Incorporation papers filed in District of Columbia, February 12, 1934, in accordance with Executive Order of February 2, 1934.

AUTHORITY. National Industrial Recovery Act of 1933 and subsequent legislation.

LIFE. Life is limited; institution will function as government agency to June 30, 1939, or such earlier date as President may fix.

PHYSICAL ORGANIZATION. Maintains an office in Washington, D. C., with a staff of 30 employees; reviewing appraisers are maintained in 12 Federal Land Bank Districts.

MANAGEMENT. Operations are controlled by a board of 11 trustees including the Secretary of Commerce and represent-

atives of the State, Treasury and Agriculture Departments, the R.F.C. and other Government agencies.

LENDING FUNCTIONS. Performs a general banking business; purchases, sells, negotiates and discounts mostly with recourse to promote foreign trade. Originally planned to serve trade with Russia, but activities subsequently were extended to include trade with all countries. Loans outstanding August 1, 1938, \$18,526,202. Commitments outstanding, \$163,601,087.

TERMS. Loans vary from less than 180 days up to five years.

RATES. The bank stipulates reasonable charges and rates of interest.

CAPITAL FUNDS. Capital stock, \$21,000,000 owned by the United States plus \$571,397 earned surplus and undivided profits. Approximately \$5,000,000 of capital has not been called for to date.

OTHER FUNDS. Can borrow to meet needs with the approval of the Secretary of the Treasury.

FARM CREDIT ADMINISTRATION

ESTABLISHMENT. Created by Executive Order, March 27, 1933.

AUTHORITY. Federal Farm Loan Act of 1916, Farm Credit Act of 1933, and other acts amendatory and supplementary thereto.

LIFE. This is a permanent organization.

PHYSICAL ORGANIZATION. Maintains head office in Washington, D. C., and district offices in 12 cities; in each is a Federal Land Bank, a Federal Intermediate Credit Bank, a District Bank for Cooperatives, a Production Credit Corporation and a crop loan office.

MANAGEMENT. The principal officers are the Governor and two Deputy Governors; the Land Bank Commissioner in charge of the Land Banks and Land Bank Commissioner loans; the Cooperative Bank Commissioner in charge of the cooperative banks; the Intermediate Credit Commissioner in charge of the Intermediate Credit Banks; and the Production Credit Commissioner in charge of the Production Credit Corporations and Associations and crop and feed loans. All these officers are appointed by the President. There is also a director of the Credit Union Section appointed by the Governor of the Administration.

LENDING FUNCTIONS. While coordinating credit facilities for agriculture, the administration, through the Production Credit Commissioner, acting through district crop loan offices, makes loans direct to farmers for emergency crop and feed purposes. It also handles collections and other matters relating to all such loans. As of June 30, 1938, emergency crop and drought relief loans were outstanding in the amount of \$184,531,883.

TERMS. The crop and feed loan matures normally within 12 months.

RATES. Rates on drought relief and crop and feed loans are $5\frac{1}{2}$ per cent.

CAPITAL FUNDS. None. Funds derived from specific appropriations by Congress.

OTHER FUNDS. Crop loan repayments are expected to exceed expenditures during the current fiscal year.

FARM SECURITY ADMINISTRATION

ESTABLISHMENT. Commenced operations in the summer of 1937 under Executive Order combining various farm relief and rehabilitation agencies.

LIFE. Permanent organization.

PHYSICAL ORGANIZATION. Operated as a Bureau of the Department of Agriculture, Washington.

MANAGEMENT. Controlled by the Secretary of Agriculture through an Administrator appointed by the President. Farm Tenancy Act operated through a corporation known as the Farmers' Home Corporation. Agency has taken over activities and unexpended funds of the Rural Rehabilitation Administration, Subsistence Homesteads, and the like.

LENDING FUNCTIONS. Makes loans to farm tenants, farm laborers, share croppers and other non-owner farmers for the purchase of farms; also rehabilitation loans for the purchase of live stock, farm equipment, supplies, other farm needs and to refinance debts.

TERMS. Rehabilitation loans run for five years. Farm purchase loans may have maturities up to 40 years.

RATES. Three per cent interest with amortization on long term farm purchase loans; five per cent on rehabilitation loans.

CAPITAL FUNDS. Original appropriation by Congress for farm tenancy, \$10,000,000 for the year ending June 30, 1938; \$25,000,000 for fiscal year 1939; and not to exceed \$50,000,000 annually thereafter.

OTHER FUNDS. Funds allocated for rural rehabilitation and the like aggregate \$556,883,719 of which approximately \$115,000,000 became available for the new agency. To this year's regular appropriation Congress added \$175,000,000 in the relief Act.

FEDERAL CREDIT UNIONS

ESTABLISHMENT. The first credit union was chartered by the Farm Credit Administration on October 1, 1934.

AUTHORITY. Federal Credit Unions Act of 1934.

LIFE. Permanent organizations.

PHYSICAL ORGANIZATION. Cooperative thrift and loan associations whose members must have some common bond such as employment or occupation; 2,886 unions as of March 31, 1938.

MANAGEMENT. Management of each credit union is entrusted to a directors' board of not less than five, a credit committee of not less than three, and a supervisory committee of three members; entire credit union system is supervised by the Director of the Federal Credit Union Section of the Farm Credit Administration and by the Comptroller of the Currency.

LENDING FUNCTIONS. Members are granted loans in connection with thrift programs; unsecured loans may not exceed \$50, and no loans may exceed \$200 or 10 per cent of unimpaired capital and surplus, whichever is greater. Loans outstanding as of March 31, 1938, \$15,729,000.

TERMS. Loans are made for not longer than two years.

RATES. Each credit union determines its own rates, but charges may not exceed 1 per cent per month on unpaid balances.

CAPITAL FUNDS. Members of the credit unions each purchase at least \$5 worth of share capital and pay a small entrance fee. Share capital as of March 31, 1938, \$18,340,000.

OTHER FUNDS. Funds are further obtained by loans from the Reconstruction Finance Corporation or from private lending institutions.

FEDERAL DEPOSIT INSURANCE CORPORATION

ESTABLISHMENT. Temporary, January 1, 1934. Permanent, August 23, 1935.

AUTHORITY. Act of June 16, 1933, and subsequent resolutions and Banking Act of 1935.

LIFE. Permanent.

PHYSICAL ORGANIZATION. Head office in Washington operating an insurance business covering deposits in 13,782 of the 15,286 licensed commercial and mutual savings banks in the United States as of June 30, 1938. District offices in Boston, New York, Columbus, Richmond, Atlanta, St. Louis, Chicago, Madison, St. Paul, Kansas City, Dallas and San Francisco.

MANAGEMENT. Managed by a board of three directors appointed by the President, of whom the Comptroller of the Currency is one. President designates one director as chairman.

LENDING FUNCTIONS. Can make advances on or purchase the assets of banks to facilitate mergers, or otherwise reduce its insurance risks, in an indefinite amount limited only by its resources. Outstanding loans, June 30, 1938, were \$25,504,078.

TERMS. At the corporation's discretion.

RATES. At the corporation's discretion.

CAPITAL FUNDS. \$150,000,000 subscribed by the United States Government and \$139,299,556 subscribed by the Federal Reserve banks as required by law. Surplus and reserves as of June 30, 1938, \$129,017,434.

OTHER FUNDS. The corporation can issue notes, debentures, bonds or the like up to three times its capital. The premium assessment on its members in 1937 was roughly \$38,800,000.

FEDERAL EMERGENCY ADMINISTRATION OF PUBLIC WORKS

ESTABLISHMENT. Created by specific statute, June 16, 1933, amended in April 1935.

AUTHORITY. National Industrial Recovery Act of 1933.

LIFE. Life is limited to the necessary operations of a revolving loan fund and administration of grants to states and their subdivisions.

PHYSICAL ORGANIZATION. Maintains a main office in Washington, D. C.; state and engineer-inspector offices are maintained throughout the United States and possessions; the departmental staff numbers about 9,000 in Washington and the field.

MANAGEMENT. Original management was in the hands of an Administrator and a board of nine directors including the Attorney General, the Secretary of Agriculture, the Secretary of Commerce, the Secretary of Labor, the Director of the Budget, and the Secretary of the Interior; the latter is the chairman. Board still exists but has ceased to function, all management now being in the hands of the administrator.

LENDING FUNCTIONS. Makes loans to states, counties, municipalities and other public corporations and grants for such governmental and private projects as are aimed to increase employment. Total loans outstanding June 30, 1938, \$29,301,310.

TERMS. The loans are long term in character.

RATES. Rate of interest on all loans, 4 per cent.

CAPITAL FUNDS. None.

OTHER FUNDS. Total funds appropriated for loans and grants approximately \$2,785,000,000, including \$985,000,000 for current fiscal year. R.F.C. authorized to buy bonds taken by P.W.A. for public works from revolving fund not to exceed \$250,000,000 to be held at one time. Such bonds are now being sold to the public by R.F.C. for P.W.A. account. Amount of bonds so sold to June 30, 1938, \$611,060,556.

FEDERAL FARM MORTGAGE CORPORATION

ESTABLISHMENT. Created by statute, January 31, 1934.

AUTHORITY. Federal Farm Mortgage Corporation Act of 1934 and Emergency Farm Mortgage Act of 1933.

LIFE. Corporation will have succession until dissolved by act of Congress.

PHYSICAL ORGANIZATION. Maintains an office in Washington, D. C.; 12 farm loan registrars are maintained at the several Federal Land Banks.

MANAGEMENT. Management is in the hands of a board of directors whose members include the Secretary of the Treasury, the Land Bank Commissioner, and the Governor of the Farm Credit Administration; the latter is the chairman.

LENDING FUNCTIONS. Finances loans by the Federal Land Banks and the Land Bank Commissioner, particularly for the refinancing of farm indebtedness; purchases, or exchanges own bonds for, bonds of the banks, and invest funds in mortgage loans of the Commissioner. Loans outstanding as of June 30, 1938, \$786,068,168; Land Bank bonds held, \$761,129,840; total assets (including real estate for sale valued at \$34,247,985), \$1,690,627,941.

TERMS. Terms of commitments are relative to those of the Land Bank Commissioner and the Federal Land Banks.

RATES. Rates and charges are those of the Land Bank Commissioner and the Federal Land Banks.

CAPITAL FUNDS. \$200,000,000 capital subscribed by the Governor of the Farm Credit Administration on behalf of the United States from funds allocated by the Reconstruction Finance Corporation.

OTHER FUNDS. Corporation may have, with the approval of the Secretary of the Treasury, outstanding bonds of up to \$2,000,000,000, which are fully guaranteed by the Government as to principal and interest. They are exempt from normal income and other taxes and eligible for 15-day borrowing from Federal Reserve banks. Bonds outstanding as of June 30, 1938, \$1,409,759,900.

FEDERAL HOME LOAN BANKS

ESTABLISHMENT. Created under specific statute, July 22, 1932, as a reserve credit system for private thrift and home-financing institutions. Administered by the Federal Home Loan Bank Board, composed of five members, all appointed by the President, with the consent of the Senate.

AUTHORITY. Federal Home Loan Bank Act of 1932 and acts amendatory and supplementary thereto.

LIFE. They are designed as a permanent supplement to the nation's home loan institutions; advances to member institutions outstanding July 1, 1938 exceeded \$196,000,000.

PHYSICAL ORGANIZATION. There are 12 banks, each located in a designated city and district serving all member institutions in regions embracing from 2 to 8 states; member institutions number 3,953; of which 2,026 are Federal Savings and Loan Associations. There are 313 employees of the Board in Washington.

MANAGEMENT. Each bank has a board of 12 directors, of whom eight are elected by the member institutions and four are appointed by the Federal Home Loan Bank Board; the System is directly administered by a Governor appointed by the Board.

LENDING FUNCTIONS. Lend to their member savings, building and loan associations, cooperative banks, home-stead associations, savings banks and insurance companies through advances (1) up to ten years on eligible home mortgage collateral or on obligations of, or guaranteed by, the

U. S., and (2) on advances up to one year on an unsecured basis.

TERMS. Maximum maturity in 10 years under present Board regulations.

RATES. Within ranges established by the Federal Home Loan Bank Board. Present minimum rate, 3 per cent.

CAPITAL FUNDS. The Secretary of the Treasury has subscribed and paid for \$124,741,000 of the capital stock of the 12 banks. Member institutions must subscribe to capital stock in an amount of at least 1 per cent of the aggregate unpaid principal of their home mortgage loans but not less than \$500. Member capital as of June 30, 1938, \$36,771,205. Ten of the banks are paying dividends.

OTHER FUNDS. The banks are securing additional funds through member deposits and the sale of consolidated Federal Home Loan Bank debentures. Home Owners' Loan Corporation is authorized to invest in these debentures from the remainder of a \$300,000,000 fund placed at its disposal in 1935.

FEDERAL HOUSING ADMINISTRATION

ESTABLISHMENT. Created by specific statute, June 27, 1934.

AUTHORITY. National Housing Acts of 1934 and 1938 with amendments thereto.

LIFE. Permanent institution. Modernization and repair loans must be made before July 1, 1939, to be insured.

PHYSICAL ORGANIZATION. Maintains a main office in Washington and 3 territorial, 15 district and 48 state offices in the field with special offices in 59 cities. Deals with the public through approximately 12,250 lending institutions.

MANAGEMENT. Controlled by an Administrator appointed by the President through two deputy administrators and an executive Board. One deputy administrator is in charge of modernization and repair loan insurance. The other is in direct charge of the Mutual Mortgage Insurance system with supervision of the National Mortgage Associations.

LENDING FUNCTIONS. Insures mortgages on urban homes up to 90 per cent of their cost when the latter does not exceed \$6,000 and up to 80 per cent on cost above \$6,000 up to \$20,000; also upon low cost rural housing for a limited period; also refinances existing mortgages through approved lending institutions; insures banks, building and loan associations and others up to 10 per cent of their total advances for home modernization and repair. Has no power to make mortgage loans but can buy or lend upon modernization loans up to full face value to relieve original lending institution. No outstanding advances of this sort now reported.

TERMS. Modernization and repair loans may run for 5 years. Insured mortgages must have maturities not to exceed twenty years or in exceptional cases 25 years with amortization acceptable to the administrator.

RATES. On insured mortgages cannot exceed 5 per cent except in special cases approved by the administrator when the rate may be 6 per cent, in each case plus $\frac{1}{2}$ per cent insurance premium on unpaid balances. On modernization and repair loans the rate is 5 per cent discount per year plus $\frac{1}{2}$ per cent insurance premium and $\frac{1}{2}$ per cent service fee.

CAPITAL FUNDS. Non-stock proprietary interest as of June 30, 1938, \$34,565,072.

OTHER FUNDS. The Reconstruction Finance Corporation advances necessary funds but the total liabilities of the Administration may at no time exceed \$200,000,000. Ten million dollars has been advanced for the Mutual Mortgage Insurance Fund by the R. F. C. and \$51,521,074 for other purposes up to June 30, 1938.

FEDERAL INTERMEDIATE CREDIT BANKS

ESTABLISHMENT. Created under specific statute, March 4, 1923.

AUTHORITY. Agricultural Credits Act of 1923.

LIFE. Permanent institutions.

PHYSICAL ORGANIZATION. There are 12 banks, each located in a Federal Land Bank District.

MANAGEMENT. The directors of the banks are also, and ex-officio, the directors of the Federal Land Banks and other Farm Credit Administration units; see Management, Federal Land Banks. The intermediate credit bank system is supervised by the Intermediate Credit Commissioner of the Farm Credit Administration, named by the President.

LENDING FUNCTIONS. Lends to cooperative marketing and purchasing associations and discounts for local financing institutions engaged in making loans to farmers; makes no loans to individuals. Original lenders cannot charge borrowers more than 3 per cent above the bank's discount rate except by authority of the Governor of the F.C.A. Outstanding credit as of June 30, 1938, \$250,900,951.

TERMS. Loans usually extend from 3 months to one year; 3 years is the maximum.

RATES. Rates of discount may not exceed 1 per cent of the last preceding debenture issue rate. The rate for some time has been 2 per cent. Banks are now borrowing money at one per cent.

CAPITAL FUNDS. \$60,000,000 combined initial capital subscribed by the Secretary of the Treasury. The Government has also provided a revolving fund of \$40,000,000 for additional capital as needed, which has been drawn upon fully, \$10,000,000 in capital and \$30,000,000 in paid-in surplus. This can be returned to the Treasury when not needed. Earned surplus and undivided profits, June 30, 1938, \$12,528,179.

OTHER FUNDS. The banks may issue, singly or jointly, collateral trust debentures up to 10 times their paid-in capital and surplus to the investing public. These debentures are free of income tax and when their maturity does not exceed 6 months they can be sold to the Federal Reserve banks or made the basis of 15-day borrowing. Consolidated debentures outstanding June 30, 1938, \$218,050,000.

FEDERAL LAND BANKS

ESTABLISHMENT. Organized in March and April, 1917, under specific statute.

AUTHORITY. Federal Farm Loan Act of 1916, Emergency Farm Mortgage Act of 1933, and other acts amendatory and supplementary thereto.

LIFE. Permanent institutions.

PHYSICAL ORGANIZATION. There are 12 land bank districts; in each is located a Federal Land Bank operating in connection with National Farm Loan Associations and a system of intermediate and short term credit agencies.

MANAGEMENT. Each bank has a board of seven directors comprising what is known as a Farm Credit Board and is the same for all units of the Farm Credit system. Three of the directors are appointed by the Governor of the Farm Credit Administration, three chosen by borrowers or borrowers' associations, and the seventh is appointed by the Governor of the F. C. A. from the three persons receiving the greatest number of votes in nominations made by the national farm loan associations of the district. The banks as a group are under the supervision of the Land Bank Commissioner of the F.C.A. appointed by the President.

LENDING FUNCTIONS. Lend through National Farm Loan

Associations or directly with first mortgages on farms as security. The Banks may also buy mortgages held by the Joint Stock Land Banks now in liquidation. Loans outstanding as of June 30, 1938, \$2,017,695,927.

TERMS. Minimum term for repayment, five years; maximum, 40 years.

RATES. Emergency rates on loans through National Farm Loan Associations are $3\frac{1}{2}$ per cent to July 1, 1940; 4 per cent thereafter to July 1, 1941; thereafter the rate is according to original contract but rates on new loans may not exceed rate at which bonds are sold by more than 1 per cent and in no case above 6 per cent. Rates on direct loans are $\frac{1}{2}$ per cent higher than on those placed through the National Farm Loan Associations.

CAPITAL FUNDS. Original capital for each bank was \$750,000 or a total of \$9,000,000 subscribed by the Secretary of the Treasury. This was later augmented by an additional \$125,000,000 distributed among the banks according to their proportional needs. Theoretically the Government's share capital is to be retired through subscriptions by borrowing associations and when retired it will become a revolving fund subject to future demand as needed. The Government also has subscribed \$175,000,000 as paid up surplus for the banks subject to similar distribution and future use. Government capital as of June 30, 1938, \$124,801,520; total capital, \$238,471,507; paid-in surplus as of June 30, 1938, \$168,942,159.

OTHER FUNDS. The Banks may issue Federal Farm Loan bonds singly or jointly up to 20 times their capital and surplus. These bonds are absorbed by the Federal Farm Mortgage Corporation, the investing public and various Government agencies. Outstanding bonds as of June 30, 1938, \$1,890,372,837.

FEDERAL PRISON INDUSTRIES, INC.

ESTABLISHMENT. Operations began on January 1, 1935, in accordance with Executive Order of December 11, 1934.

AUTHORITY. Acts of Congress of May 27, 1930, and June 23, 1934.

LIFE. This is a permanent institution.

PHYSICAL ORGANIZATION. Maintains a main office with the Department of Justice in Washington, D. C.; other offices are maintained at the several penal institutions throughout the United States.

MANAGEMENT. The management is in the hands of five directors, all appointed by the President; these directors represent industry, labor, retailers and consumers, agriculture and the Attorney General. All operations under the control of a Commissioner of Prison Industries appointed by the President.

LENDING FUNCTIONS. Finances and operates prison industries; output includes baskets, bags, mattresses, shirts, shoes, brooms, and brushes, filing cabinets and foundry products. No loans outstanding on June 30, 1938.

TERMS. Commitments are generally short term in character.

RATES. There are no statutory limitations as to rates or charges; these are variously fixed at the discretion of the officers.

CAPITAL FUNDS. Approximately \$900,000 originally appropriated by Congress and taken over from previous prison industrial activities.

OTHER FUNDS. Funds are obtained from the sale of products to various governmental departments. Annual turn-over averages about \$3,000,000. Net annual profit on operations approximately \$240,000.

FEDERAL RESERVE BANKS

ESTABLISHMENT. Loans-to-industry regulations adopted by Federal Reserve Board June 26, 1934, according to amendatory act of June 19, 1934.

AUTHORITY. Federal Reserve Act of 1913 and amendatory acts of Congress thereto.

LIFE. The loans to industry are intended as a permanent feature of the Federal Reserve System, but the Board may revoke this lending authority.

PHYSICAL ORGANIZATION. There are 12 Federal Reserve District cities; in each is located a Federal Reserve Bank; maintained also are 25 branch banks and two agencies, one of which is located in Havana; the Federal Reserve Board is located at Washington, D. C.

MANAGEMENT. Reserve Banks are supervised and partly controlled by a Board of Governors of seven appointed by the President, one of whom is designated as chairman. Each bank is managed by a president and a board of nine directors. In the matter of direct loans to commerce and industry each bank has an industrial advisory committee to pass upon all applications for such loans.

LENDING FUNCTIONS. Exercise usual central bank rediscount functions. Also grant direct intermediate credit loans with or without member bank participation to industrial or commercial organizations as well as to financial institutions to furnish working capital to established industries or businesses. Also under "unusual and exigent circumstances" by special action of the Board of Governors during such period as the Board may determine may grant loans to individuals, partnerships or corporations similar to those to member banks in the same circumstances. Outstanding working capital loans and commitments as of June 30, 1938, \$30,245,000.

TERMS. Maturities on working capital loans may extend up to five years. All other loans are short term.

RATES. Interest and discount rates, while set by the banks, are subject to approval by the Federal Reserve Board; prevailing rates on working capital loans do not exceed 6 per cent. Ordinary rediscount rates fixed by each bank at least as often as every 14 days.

CAPITAL FUNDS. Member banks subscribe to the capital in the Reserve bank in their district in the amount of 6 per cent of their paid-up capital and surplus. Capital of the 12 Reserve banks as of June 30, 1938, \$133,570,000.

OTHER FUNDS. To enable the banks to make working capital loans, the Federal Treasury is authorized to pay to the banks such sum as may be represented by the amount paid by the banks for stock of the F.D.I.C.; payment is provided from receipts created by increment resulting from reduction of the weight of the gold dollar.

FEDERAL SAVINGS AND LOAN ASSOCIATIONS

ESTABLISHMENT. Established as an improved form of private, local, mutual, thrift institution under Federal charter authorized by the Federal Home Loan Bank Board under specific statute enacted by Congress June 13, 1933.

AUTHORITY. Home Owners' Loan Act of 1933.

LIFE. Permanent institutions.

PHYSICAL ORGANIZATION. There are 1,346 Federal associations, located in 45 states, the District of Columbia, Alaska and Hawaii.

MANAGEMENT. While the management of the associations rests in local hands, they are supervised for the Federal Home Loan Bank Board by the office of the Governor of the

Federal Home Loan Bank System and are subject to regulations and examinations prescribed by the Board.

LENDING FUNCTIONS. Provide local financing for homes on the long-term, direct-reduction, amortized plan, and provide local thrift facilities for savings.

TERMS OF LOANS. Repayments are generally made in monthly instalments in from five to 20 years.

RATES. Rates are required to be maintained on a "fair and reasonable basis."

CAPITAL FUNDS. From savings and investments of their individual members. In 1933, the U. S. Treasury was authorized to invest up to \$50,000,000 in Federal associations. This fund has been exhausted. Investment has also been made from a \$300,000,000 H.O.L.C. fund authorized for investment in Federal associations and other member savings and loan associations of the Federal Home Loan Bank System and in obligations of the 12 Federal Home Loan Banks. H.O.L.C. investment as of June 30, 1938, \$170,764,300. Total combined capital June 30, 1938, \$983,567,000 of which approximately \$765,000,000 was private.

OTHER FUNDS. Additional funds are obtained by borrowing at the Federal Home Loan Banks. The safety of investors' funds in the associations is insured by the Federal Savings and Loan Insurance Corporation, up to \$5,000 on each savings account.

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

ESTABLISHMENT. Established under the Federal Home Loan Bank Board by specific statute enacted by Congress, June 27, 1934.

AUTHORITY. Title IV, National Housing Act of 1934. For the purpose of insuring against loss up to \$5,000 the share accounts held by investors in insured institutions, which must be of the savings and loan type.

LIFE. Permanent institution.

PHYSICAL ORGANIZATION. The corporation office is maintained at Washington, D. C., under the Federal Home Loan Bank Board, whose members are trustees of the Corporation.

MANAGEMENT. Management of the corporation is under the direct supervision of a general manager appointed by the Federal Home Loan Bank Board.

LENDING FUNCTIONS. In order to prevent default in an insured institution or restore an insured institution in default to normal operation, the corporation is authorized to make loans up to what the corporation finds necessary to avoid the cost of liquidating the institution, and, similarly, to purchase the assets of or make contributions to the institution.

TERMS. Insured institutions required to pay annual premium to the corporation until a reserve fund has been set up equal to 5 per cent of insured accounts. The corporation may also assess insured institutions additional premiums.

RATES. On loans made by the corporation no rate is fixed—it would be subject to determination by the corporation.

CAPITAL FUNDS. The corporation has capital stock of \$100,000,000, subscribed for by the H.O.L.C. and in addition is setting up reserves through premiums paid by insured institutions. Up to June 30, 1938, 2,014 institutions had become insured, representing total resources of more than \$2,000,000,000 and having more than 1,900,000 shareholders. Reserves as of June 30, 1938, \$14,077,882.

OTHER FUNDS. No other capital funds are provided, but the corporation has authority to borrow money and to issue

notes, bonds or debentures upon terms and conditions determined by the trustees.

HOME OWNERS' LOAN CORPORATION

ESTABLISHMENT. Created by specific statute which went into effect on June 13, 1933.

AUTHORITY. Home Owners' Loan Act of 1933 and subsequent legislation.

LIFE. Lending operations ended June 12, 1936. Liquidation of loans and administration of subsidiary legislation to continue until the Corporation is dissolved by Act of Congress.

PHYSICAL ORGANIZATION. Maintains a main office in Washington, a state headquarters in every state, 11 regional offices, 250 district and sub-district offices, and representatives in every county and important city in the United States, employing about 20,000 people at home and in the field.

MANAGEMENT. Controlled by a Board of five directors composed of members of the Federal Home Loan Bank Board through a Chairman appointed by the President with usual subordinate officers.

LENDING FUNCTIONS. Has provided emergency relief refinancing for distressed home owners by exchanging its obligations for home mortgages in default; makes cash loans for repairs, improvements and certain other cases; finances Federal Savings and Loan Associations and the Federal Savings and Loan Insurance Corporation. At the end of its refinancing operations on June 12, 1936, the Corporation had made 1,018,390 loans in the gross amount of \$3,092,870,784 including approximately \$75,000,000 loaned for repairs and reconditioning.

TERMS. Loans are amortized in 15 years with extensions of time in some cases.

RATES. The interest rate on mortgage loans may not exceed 5 per cent and that on cash loans 6 per cent. These maximum rates are now charged.

CAPITAL FUNDS. Capital subscribed by the Secretary of the Treasury, \$200,000,000. Funds made available through the R. F. C.

OTHER FUNDS. Corporation authorized to issue bonds up to \$4,750,000,000 fully guaranteed by the United States as to principal and interest. Bonds now issued bear a rate of 2½ per cent. Bonds outstanding as of June 30, 1938, \$2,937,993,700; loans outstanding, \$2,265,153,189; foreclosed property for sale as of the same date, \$516,206,401.

HOUSING DIVISION, PUBLIC WORKS ADMINISTRATION

ESTABLISHMENT. Created June 16, 1933, by the Federal Emergency Administration of Public Works.

AUTHORITY. National Industrial Recovery Act of 1933.

LIFE. Taken over by the United States Housing Authority under United States Housing Act of 1937.

PHYSICAL ORGANIZATION. Maintained main office at Washington, D. C., and district and project offices in all cities where there are housing projects of the administration—at present 35.

MANAGEMENT. The management was in the hands of the Public Works Administrator.

LENDING FUNCTIONS. Loans were originally made for limited dividend corporation housing projects; projects are entirely Government developments, of which usually 45 per cent of the cost constitutes an outright grant.

TERMS. Maximum amortization is 60 years for the Federal projects and from 25 to 35 years for the limited dividend projects.

RATES. All loans carry 4 per cent interest.

CAPITAL FUNDS. None.

OTHER FUNDS. Approximately \$149,000,000 was allotted to the Division under the National Industrial Recovery Act and the Emergency Relief Appropriation Act. The United States Housing Authority received from this organization 57 projects in various stages of completion valued at approximately \$123,000,000.

INDIAN REHABILITATION LOAN OFFICE

ESTABLISHMENT. Established by order of the President in connection with Relief Act of 1937.

AUTHORITY. Relief Act of 1937 and Executive Order establishing the Resettlement Administration.

LIFE. Depends upon annual allotments except for liquidation of loans already made.

PHYSICAL ORGANIZATION. Operated as a section of the Indian Bureau of the Department of the Interior through agencies dealing with the Indians.

MANAGEMENT. Controlled by the Chief of the Indian Bureau under the general supervision of the Secretary of the Interior.

LENDING FUNCTIONS. Loans money to the Indians for general rehabilitation purposes in line with the general operations of the Resettlement Administration. Total loans put out, approximately \$2,250,000 of which \$1,910,775 were outstanding as of June 30, 1938.

TERMS. Long and short credit in line with Resettlement Administration operations.

RATES. No interest is charged on these loans.

CAPITAL AND OTHER FUNDS. Allotments made from Relief funds in 1937 and 1938 to a total of \$2,500,000. These allotments are operated as a revolving fund.

INLAND WATERWAYS CORPORATION

ESTABLISHMENT. Incorporated June 3, 1924; reorganized January 1, 1935.

AUTHORITY. Act of Congress, 1924, as amended, 1928.

LIFE. Corporation will continue functions until "business can be advantageously turned over to private capital."

PHYSICAL ORGANIZATION. Maintains main office at Washington, D. C., a central office at New Orleans, and freight offices in 12 other cities. Average employees in 1937, approximately 3,000.

MANAGEMENT. The Secretary of War, as the incorporator and supervisor, names the chairman of the board. An army officer is chairman of a board which is composed of army officers and traffic experts. Operates Division of Upper Mississippi, Lower Mississippi and Warrior River. Federal Barge Lines and Warrior River Terminal Company are subsidiaries.

LENDING FUNCTIONS. Lends to municipalities to aid in terminal construction and promote water transportation. Operates water transport lines and water terminal facilities. Real property and equipment has a net value of approximately \$21,000,000. Outstanding loans, June 30, 1938, \$178,633.

TERMS. There is no uniform length of time on the loans.

RATES. Loans to municipalities are in some instances made without interest; otherwise a rate of from 4½ to 5 per cent is charged.

CAPITAL FUNDS. Initial authorized capital stock was \$5,000,000; this was subsequently raised to \$15,000,000; actually \$12,000,000 has been issued, all subscribed for and owned by the United States Government. Corporation has

accumulated reserves from previous operations of approximately \$12,000,000.

OTHER FUNDS. Corporation may borrow for temporary purposes up to 25 per cent of value of assets; exercise of this authority is unlikely with cash reserve now at \$3,500,000 and \$3,000,000 still due on stock subscription. The corporation operates without appropriations from the Government, paying its way with income from its operations. Net income in 1935, \$640,734 after allowing \$596,011 for depreciation.

LAND BANK COMMISSIONER

ESTABLISHMENT. Created by statute, May 12, 1933.

AUTHORITY. Emergency Farm Mortgage Act of 1933 and other acts amendatory and supplementary thereto.

LIFE. Commissioner may make loans up to February 1, 1940.

PHYSICAL ORGANIZATION. Maintains an office at Washington, D. C.; the 12 Federal Land Banks act as agents for the Commissioner.

MANAGEMENT. The Land Bank Commissioner, responsible to the Governor of Farm Credit Administration, is named by the President; the Commissioner is assisted by three deputy commissioners.

LENDING FUNCTIONS. Lends money directly to farmers to enable them to consolidate and refinance their indebtedness on first or second real estate and chattel mortgages up to 75 per cent of the normal value of the property, but no more than \$7,500 to any one borrower. Can also lend up to \$100,000,000 to promote liquidation of Joint Stock Land Banks. All lending power expires Feb. 1, 1940. Commissioner's loans outstanding as of June 30, 1938, \$786,068,168.

TERMS. Maximum maturity on amortized mortgage loans is 43 years; otherwise the maturities extend up to 13 years.

RATES. The normal rate is 5 per cent on all loans, but until July 22, 1940, the rate is 4 per cent.

CAPITAL FUNDS. None.

OTHER FUNDS. The Reconstruction Finance Corporation can advance, as authorized, \$200,000,000 in addition to \$100,000,000 for loans to Joint Stock Land Banks; funds are also made available by the Federal Farm Mortgage Corporation up to the exhaustion of the balance of the \$2,000,000,000 of bonds of the Farm Mortgage Corporation fully guaranteed by the Government. As of June 30, 1938, the R.F.C. had actually advanced \$145,000,000 for loans to farmers and \$2,600,000 for loans to Joint Stock Land Banks.

NATIONAL FARM LOAN ASSOCIATIONS

ESTABLISHMENT. Organized July 17, 1916, under specific statute.

AUTHORITY. Federal Farm Loan Act of 1916.

LIFE. Life of associations is unlimited.

PHYSICAL ORGANIZATION. There are approximately 5,000 National Farm Loan Associations.

MANAGEMENT. Being cooperative enterprises, management of the associations rests in local hands; they are, however, supervised and regulated by the Land Bank Commissioner. See *Management*, Federal Land Banks.

LENDING FUNCTIONS. Associations act as a liaison between farmer borrowers and Federal Land Banks. Original borrower must subscribe 5 per cent of his loan in stock of association which endorses his mortgage note and subscribes to 5 per cent of loan in capital of the Land Bank. Latter advances money to borrower on his mortgage. Association is expected to collect payments of interest and principal for the Land Bank, to which it is responsible for the loan as endorser.

TERMS. Loans placed through the associations draw $\frac{1}{2}$ per cent less than those placed directly by Land Banks.

RATES. See Federal Land Bank loans.

CAPITAL FUNDS. Individual borrowers subscribe to 5 per cent in stock of the amount of their loans secured through the associations. Total outstanding capital as of June 30, 1938, \$110,135,282.

OTHER FUNDS. The associations charge limited fees for services in securing loans for their members.

NATIONAL MORTGAGE ASSOCIATIONS

ESTABLISHMENT. Authorized as part of the Federal Housing program of 1934.

AUTHORITY. National Housing Acts of 1934 and 1938.

LIFE. Permanent institutions. Congress may order dissolution and Federal Housing Administrator may revoke license for cause.

PHYSICAL ORGANIZATION. Only one association established to date—that by the R.F.C.

MANAGEMENT. Controlled by the usual Board of Directors and officers of a private corporation organized by not less than "five natural persons". Control and supervision exercised by the Federal Housing Administrator.

LENDING FUNCTIONS. Makes direct mortgage loans on residential real estate and provides rediscount facilities for holders of standardized, insured residential real estate mortgages. Mortgages held by the sole existing association as of August 1, 1938, \$42,185,650 with \$9,833,669 further commitments.

TERMS. Terms as stipulated in the individual mortgage contracts.

RATES. Rates as stipulated in individual mortgage contracts but interest must not exceed 5 per cent to which may be added mortgage insurance charges and in some cases a service fee.

CAPITAL FUNDS. Each association must have paid in capital of at least \$2,000,000 paid in cash, Government securities or approved mortgages. The existing association is capitalized at \$11,000,000. The R.F.C. is authorized to purchase preferred stock in these associations.

OTHER FUNDS. Each association may issue securities which are free of taxes, except gift, inheritance and estate taxes and surtaxes, up to 20 times its capital stock outstanding but not in excess of its aggregate holdings of insured mortgages plus cash and Government securities held. The associations themselves are free of all taxation except for real estate they hold.

PRODUCTION CREDIT ASSOCIATIONS

ESTABLISHMENT. Created by statute June 16, 1933; they had been organized to serve all parts of the country by the end of April 1934.

AUTHORITY. Farm Credit Act of 1933 and National Housing Act of 1934.

LIFE. Permanent organizations; loans for home alterations, repairs and improvements suspended January 1, 1936.

PHYSICAL ORGANIZATION. Chartered by the Governor of the Farm Credit Administration. All land bank districts covered by the 538 associations as of Dec. 31, 1935.

MANAGEMENT. While privately organized, these associations are supervised by the several Production Credit Corporations and are under the jurisdiction of the Production Credit Commissioner of the Farm Credit Administration, appointed by the President. Managed by farmer borrowers

under supervision of Production Credit Corporations and F.C.A. authorities. See *Management*, Federal Land Banks.

LENDING FUNCTIONS. Refinance farm indebtedness and lend to crop producers and for the breeding, raising and fattening of livestock; are assuming activities of Regional Agricultural Credit Corps. Loans outstanding as of June 30, 1938, \$183,168,616.

TERMS. Loans are usually from three months to one year; renewals may be made for a total of three years.

RATES. Rates may not exceed 3 per cent above the Federal Intermediate Credit Banks' discount rates; the prevalent rate is 5 per cent.

CAPITAL FUNDS. Capital funds are provided in part by the Production Credit Corps. and in part by the borrowers who must subscribe 5 per cent of the amount of their loan as Class B capital. Class A capital is subscribed by the Production Credit Corporations. It averages about 85 per cent of the total capital which on June 30, 1938, amounted to \$88,426,600. Class A stock has no voting power. Individual association capital ranges from \$75,000 to \$2,000,000.

OTHER FUNDS. Additional funds are obtained by discount with the Federal Intermediate Credit Banks.

PRODUCTION CREDIT CORPORATIONS

ESTABLISHMENT. Created by statute June 16, 1933.

AUTHORITY. Farm Credit Act of 1933.

LIFE. Permanent organizations.

PHYSICAL ORGANIZATION. There are 12 Production Credit Corporations, each located in a Federal Land Bank District city.

MANAGEMENT. The directors of the corporations are also, and ex officio, the directors of the Federal Land Banks; the corporations are supervised by the Production Credit Commissioner, who is appointed by the President. See *Management*, Federal Land Banks.

LENDING FUNCTIONS. Assist in the organization of the Production Credit Associations by providing most of their capital.

TERMS. Return on advances is on an "if earned" basis, earnings to be applied to surplus and eventual retirement of stock held by the Governor of the F.C.A.

RATES. Dividend on capital stock purchased from the associations is limited to 7 per cent.

CAPITAL FUNDS. Combined paid-in capital stock, \$120,000,000 as of June 30, 1938, is all held by the Governor of the Farm Credit Administration. Of this capital \$40,500,000 was advanced by the R.F.C.

OTHER FUNDS. Governor of the Farm Credit Administration may provide further capital if necessary or change capitalization of any of the corporations as may be advisable.

PUERTO RICAN RECONSTRUCTION ADMINISTRATION

ESTABLISHMENT. Established by order of the President under the Relief Act of 1934-1935.

AUTHORITY. Executive Order of 1934 under general relief powers of the President as given in the Relief Act of 1934-1935, and specific Act of August, 1937.

LIFE. Can make loans until June 30, 1940.

PHYSICAL ORGANIZATION. Operated as a Federal Agency under the Secretary of the Interior as Administrator.

MANAGEMENT. Active management centered in an Executive Assistant in charge of a special office in the Interior Department with representatives in Puerto Rico.

LENDING FUNCTIONS. Activities of the Agency consist chiefly of providing work relief and similar projects but also

include lending money for industries undertaken by cooperatives. Total allotments to June 30, 1938, \$46,967,332 of which \$6,300,000 was available for loans in one form or another. Total loans put out approximately \$4,500,000 of which \$3,897,142 were outstanding on June 30, 1938.

TERMS. Loans are for both short and long terms. The bulk are long term loans.

RATES. Three per cent interest with amortization in most cases.

CAPITAL FUNDS. Provided by annual allotments from relief funds. Allotments for all purposes during the past two years have averaged approximately \$15,000,000 per year.

OTHER FUNDS. Funds set aside for loan purposes constitute a revolving fund which can be re-loaned up to June 30, 1940. Loan allotment requested for the current year, \$350,000—awaiting action by the President at last accounts.

RECONSTRUCTION FINANCE CORPORATION

ESTABLISHMENT. Organized February 2, 1932, under specific statute of January 22, 1932.

AUTHORITY. Reconstruction Finance Corporation Act of 1932 and acts amendatory and supplementary thereto.

LIFE. For certain purposes the lending life of the Corporation has been extended to June 30, 1939. For purposes of carrying out contracts made before that time and for liquidation no limit has been set upon its activities.

PHYSICAL ORGANIZATION. Maintains head office in Washington, D. C.; 32 agencies are distributed throughout the United States, and one is located in Puerto Rico; there are approximately 3,500 employees in the Washington and regional offices.

MANAGEMENT. Management is vested in a board of directors consisting of the Secretary of the Treasury (ex-officio) and six others named by the President upon advice and consent of the Senate; an executive committee consists of the chairman and two other members of the board.

LENDING FUNCTIONS. For the purpose of maintaining and promoting economic stability and encouraging the employment of labor, loans are made to or contracts are made with states, municipalities and political subdivisions of states, public agencies thereof and with boards, commissions and the like to aid in financing projects authorized under their laws, this usually being done by the purchase of their securities. Where funds cannot be secured through ordinary credit channels the Corporation also makes loans to or purchases the securities of or participations in any business enterprise either directly or in cooperation with banks or other lending institutions. Loans are of short, intermediate or long term character.

TERMS. Short and intermediate term loans are usually to be repaid within five years. No definite limit fixed for longer term credit. For participation with banks and other lenders the Corporation charges 1 per cent if participation is less than 50 per cent; 1½ per cent for participation between 50 and 75 per cent and 2 per cent between 75 and 90 per cent of the total.

RATES. Interest charged public agencies usually 4 per cent; rates for loans to commerce and industry follow local rates but usually a little higher.

CAPITAL FUNDS. The corporation has a capital stock of \$500,000,000, fully subscribed and paid-in by the Secretary of the Treasury on behalf of the United States from appropriation made by Congress under the terms of the Act.

OTHER FUNDS. The corporation may have outstanding \$3,750,000,000 in notes, debentures or bonds, plus certain

additional amounts if applied to specific purposes, estimated roughly at \$2,500,000,000. Until June 1938 the Secretary of the Treasury purchased all the notes and obligations of the Corporation necessary for its financing. Hereafter all financing of the Corporation will be done in the open market and Treasury holdings will be refinanced through public offerings as soon as practicable.

RECONSTRUCTION FINANCE CORPORATION MORTGAGE COMPANY

ESTABLISHMENT. Organized under laws of Maryland March 14, 1935, by the Reconstruction Finance Corporation.

AUTHORITY. Reconstruction Finance Corporation Extension Act of 1935.

LIFE. Life is not limited by charter or statute; however, company may make loans only so long as capital is available or it can obtain additional funds from R.F.C.

PHYSICAL ORGANIZATION. Maintains a main office in Washington, D. C.; operations are carried on through the several agencies of the Reconstruction Finance Corporation; except for few executives, company has no employees; personnel is borrowed from the R.F.C.

MANAGEMENT. The corporation is managed, incorporated, and controlled by the Reconstruction Finance Corporation.

LENDING FUNCTIONS. Lends to distressed holders of mortgages and certificates for new or completed income producing urban property, and for refinancing when secured by mortgages on income-producing properties. Outstanding loans, June 30, 1938, \$40,675,886. Total loans and commitments made, approximately \$100,000,000.

TERMS. Loans usually made for not to exceed ten years with amortization such as to retire half the loan in that period.

RATES. The rate of interest is 5 per cent; a discount of $\frac{1}{2}$ of 1 per cent is retained on purchases of insured mortgages.

CAPITAL FUNDS. \$25,000,000 capital stock is subscribed by the Reconstruction Finance Corporation.

OTHER FUNDS. Additional funds are obtained by borrowing at the Reconstruction Finance Corporation.

REGIONAL AGRICULTURAL CREDIT CORPORATIONS

ESTABLISHMENT. Chartered on July 21, 1932, by the Reconstruction Finance Corporation, under specific statute.

AUTHORITY. Emergency Relief and Construction Act of 1932.

LIFE. Now in slow liquidation; functions assumed by the Production Credit Associations and Corporations on April 30, 1934.

PHYSICAL ORGANIZATION. Originally these corporations numbered 12 with 21 branches; there are at present 6 main offices and 6 branch offices.

MANAGEMENT. Formerly controlled by the Reconstruction Finance Corporation, they are now under the jurisdiction of the Governor of the Farm Credit Administration, managed by a director in that organization.

LENDING FUNCTIONS. Lent directly to farmers and stockmen for agricultural pursuits. Highest credit outstanding—\$145,760,231 in February, 1934. Outstanding on June 30, 1938, \$14,787,772. Loans now limited to extensions or former commitments.

TERMS. Loans were short term and intermediate in character.

RATES. Rates of interest and discount were fixed subject to approval by the Farm Credit Administration; prevailing rates, 5 per cent.

CAPITAL FUNDS. Combined capital stock amounts to \$44,500,000 as of June 30, 1938, all subscribed by the Reconstruction Finance Corporation.

OTHER FUNDS. The Reconstruction Finance Corporation pays the operating expenses; other funds are obtained by discount with the R.F.C. or Federal Intermediate Credit Banks.

RESETTLEMENT ADMINISTRATION

ESTABLISHMENT. Created April 30, 1935, by Executive Order.

AUTHORITY. Emergency Relief Appropriation Act of 1935.

LIFE. An emergency organization now merged into the Farm Security Administration.

PHYSICAL ORGANIZATION. Continues as a division of the Farm Security Administration from the latter's office in Washington, operating in 12 regions, each with a designated city in which there is a regional director of the F.S.A.

MANAGEMENT. Control exercised by the Farm Security Administrator through four divisions embracing Land Utilization, Rural Resettlement and Rehabilitation, Suburban Resettlement and Management. All now more or less merged with other F.S.A. activities.

LENDING FUNCTIONS. Lends and grants money for the purchase of farm lands and for the necessary rehabilitation of farm equipment; also for the removal of families to better land or better communities, and all similar purposes.

TERMS. Loans are made for such purposes and for such periods not exceeding 40 years as the Administrator prescribes.

RATES. Rates range from 3 to 5 per cent depending upon the case and nature of the loan.

CAPITAL FUNDS. None.

OTHER FUNDS. Total allocations from relief funds, \$502,-882,365 of which \$115,143,616 was unexpended when merged with the Farm Security Administration.

RURAL ELECTRIFICATION ADMINISTRATION

ESTABLISHMENT. Created May 11, 1935, by Executive Order.

AUTHORITY. Emergency Relief Appropriation Act of 1935 and subsequent legislation.

LIFE. Indefinite. Working on a ten-year program.

PHYSICAL ORGANIZATION. Maintains only one office, in Washington, D. C.; there are approximately 200 employees attached to the staff.

MANAGEMENT. Management rests with an Administrator, who is named by and responsible to the President.

LENDING FUNCTIONS. Lends for the building of power and light lines in areas now without electric service; also finances electric wiring of homes and farms through cooperative groups, corporations, public utilities and other public bodies. Outstanding loans as of June 30, 1938, \$50,169,344 with approximately \$40,000,000 additional commitments.

TERMS. Loans are normally made to mature in 20 years. Loans for service extensions are all for a 20 year period on amortized basis. Loans for wiring up to 5 years.

RATES. A 3 per cent rate is normally maintained. 3 per cent charged on long term loans. Rate to corporation or other intermediary on short term, 5 per cent.

CAPITAL FUNDS. None.

OTHER FUNDS. Administration is following a ten year program under statutory allotment of \$40,000,000 a year. Total allotments to June 30, 1938, \$61,984,573. In addition to regular \$40,000,000 appropriation for current year Congress added \$100,000,000 under relief appropriation Act.

SECOND EXPORT-IMPORT BANK OF WASHINGTON, D. C.

ESTABLISHMENT. Incorporation papers filed in District of Columbia, March 12, 1934, in accordance with Executive Order of March 9, 1934.

AUTHORITY. National Industrial Recovery Act of 1933.

LIFE. Merged with the Export-Import Bank.

PHYSICAL ORGANIZATION. Maintains joint office with the Export-Import Bank of Washington, in Washington, D. C.; the 30 employees of the Export-Import Bank of Washington also manage the affairs of the Second Export-Import Bank of Washington, D. C.

MANAGEMENT. Management is identical to and joint with that of the Export-Import Bank of Washington.

LENDING FUNCTIONS. Lending functions are similar to those of the Export-Import Bank of Washington, but business is now confined to transactions with the latter. Originally planned to serve trade with Cuba.

TERMS. Terms of loans are similar to those of the Export-Import Bank of Washington.

RATES. Rates on loans are similar to those of the Export-Import Bank of Washington.

CAPITAL FUNDS. \$250,000 common stock subscribed by the United States under authority of the National Industrial Recovery Act; the Reconstruction Finance Corporation subscribed \$2,500,000 preferred stock, which latter was retired on July 29, 1935.

OTHER FUNDS. The bank is authorized to borrow additional money with the approval of the Secretary of the Treasury, but no funds have been raised in this manner.

TENNESSEE VALLEY AUTHORITY

ESTABLISHMENT. Created by specific statute May 18, 1933.

AUTHORITY. Tennessee Valley Authority Act of 1933 and Tennessee Valley Act of 1935.

LIFE. Life of Authority is unlimited, unless dissolved by act of Congress.

PHYSICAL ORGANIZATION. Maintains head office at Muscle Shoals, Tennessee; other offices are located in Washington and in several cities in the Tennessee Valley area; field and departmental employees number more than 2,200.

MANAGEMENT. Management rests with a board of three directors, headed by a chairman, all appointed by the President, with confirmation by the Senate.

LENDING FUNCTIONS. Authority may lend to states, counties, and municipalities to enable them to acquire electric distribution facilities and may issue government-guaranteed bonds therefor.

TERMS. Maturity of loans not to exceed five years.

RATES. There are no statutory limitations as to rates on loans.

CAPITAL FUNDS. Organized as a corporation without stock, the three directors acting as incorporators.

OTHER FUNDS. \$50,000,000 was allotted under the National Industrial Recovery Act of 1933; total appropriations and allotments to June 30, 1938, \$75,000,000. Authority may issue bonds up to \$50,000,000 with legal status of Panama Canal bonds to cover cost of construction undertakings. May also issue bonds guaranteed by the Government as to principal and interest up to \$50,000,000 to cover loans to public bodies. No bonds on either account have been issued to date. Authority will have substantial income from operation of power plants—in theory enough to amortize its expenditures.

UNITED STATES HOUSING AUTHORITY

ESTABLISHMENT. First contracts for loans in March 1938.

AUTHORITY. United States Housing Act of 1937.

LIFE. Body corporate of perpetual duration.

PHYSICAL ORGANIZATION. Established as a bureau in the Interior Department under general supervision of the Secretary of the Interior.

MANAGEMENT. Powers vested in a single Administrator appointed for a term of five years by the President. Usual organization of subordinates.

LENDING FUNCTIONS. Makes loans and grants to public housing agencies to assist in the acquisition, development and administration of low rent housing or slum clearance projects. Loans limited to 90 per cent of the cost of the projects, secured in any manner the Authority deems advisable. Also makes annual contributions up to a total of \$28,000,000 after July 1, 1939—to public housing agencies to assist in achieving and maintaining the low rent character of their projects. Is also authorized to make direct capital grants to public housing authorities up to 25 per cent of the total cost of projects not to exceed an annual total of \$30,000,000 after July 1, 1939. Is authorized to take over, manage and dispose of governmental housing projects heretofore handled by the Public Works Administration.

TERMS. Loans may have a maturity up to sixty years.

RATES. Interest rate shall be not less than going Federal rate at the time plus one half of one per cent.

CAPITAL FUNDS. Capital of \$1,000,000 and annual appropriation of \$25,000,000. May also be given any other funds heretofore appropriated by Congress for low cost housing and slum clearance.

OTHER FUNDS. May issue its obligations in the amount of \$800,000,000 whose maturity may run to sixty years at a rate not above 4 per cent. They are exempt from all taxation except surtaxes, estate, inheritance and gift taxes. Authorized loans as of September 1, \$40,997,500. Actual loan disbursements estimated by June 30, 1939, \$200,000,000.

UNITED STATES MARITIME COMMISSION

ESTABLISHMENT. Organized in October 1936 to succeed the U. S. Shipping Board and Merchant Fleet Corporation.

AUTHORITY. Merchant Marine Act of June 1936.

LIFE. Permanent agency.

PHYSICAL ORGANIZATION. Head office in Washington with agencies in the United States and abroad.

MANAGEMENT. Commission consists of five members appointed by the President with Senate confirmation for terms of six years after preliminary short terms which provide for the appointment or reappointment of one member each year. Not more than three members shall be of the same political party. Commission organized by selection of a chairman and a vice-chairman from its membership. Organization divided into five divisions, each under a director, with a general counsel and secretary.

LENDING FUNCTIONS. Has taken over all loan and other contracts of the United States Shipping Board and Merchant Fleet Corporation. Can make loans and grant subsidies for the construction and operation of merchant vessels and dealing in and operating maritime and port property of the United States under very broad powers.

TERMS. Construction and similar loans can have maturities up to twenty years.

RATES. Standard rate on loans is 3½ per cent with some modifications in the case of special contracts.

CAPITAL FUNDS. Annual appropriations by Congress plus all unexpended funds of the United States Shipping Board, unexpended funds of the Post Office Department's ocean mail appropriations and other similar funds, aggregating approximately \$105,000,000.

OTHER FUNDS. All proceeds from the sale of vessels, earnings from shore property, profits from operations and the like go into a revolving "construction fund" from which loans are made. Assets of the Commission as of June 30, 1938, \$195,607,477 of which \$60,991,481 was in outstanding loans. Authorized by the last Congress to make additional loan and subsidy contracts in the amount of \$115,000,000.

UNITED STATES POSTAL SAVINGS SYSTEM

ESTABLISHMENT. Banks were first opened in January and February 1911.

AUTHORITY. Postal Savings Bank Act of 1910.

LIFE. This is a permanent agency of the Government.

PHYSICAL ORGANIZATION. Operated through the post offices with no personnel designated especially for the purpose.

MANAGEMENT. The system functions as a division of the Post Office Department, acting through a board of three trustees and a director under the Third Assistant Postmaster General. The Postmaster General is the executive head of the system and ex-officio chairman of a board of three trustees.

OPERATION. Funds of postal savings depositors are to be redeposited in commercial banks, but owing to a lack of demand approximately 85 per cent of total deposits of \$1,251,723,367 as of June 30, 1938, are now invested in Government securities. Postal Savings banks pay 2 per cent interest on savings deposits and charge 2½ per cent interest on redeposits in commercial banks. The system does not perform any lending functions.

UNITED STATES RAILROAD ADMINISTRATION

ESTABLISHMENT. Created by Presidential proclamation December 26, 1917.

AUTHORITY. Army Appropriation Act of August 29, 1916, and Federal Control Act of 1918.

LIFE. Federal control of railroads terminated March 1, 1920; Administration is now in process of liquidation.

PHYSICAL ORGANIZATION. Maintains an office with the Treasury Department, Washington, D. C.; a liquidating force of seven is retained.

MANAGEMENT. Control reverted back to the companies March 1, 1920; affairs are still conducted by a Director General of Railroads and Agent, which office is now held by the Secretary of the Treasury.

LENDING FUNCTIONS. Loans were made to federally controlled carriers for the purpose of raising funds for maturing obligations or for reorganizing railroads in receivership. Total loans originally put out, \$1,080,575,462. Outstanding as of June 30, 1938, \$30,230,233.

TERMS. Loans were short term; Transportation Act of 1920 provided for the funding of indebtedness for a period of 10 years.

RATES. The uniform rate of interest was 6 per cent.

CAPITAL FUNDS. None.

OTHER FUNDS. Funds were obtained from direct appropriations by Congress and from operating revenue receipts; certain obligations acquired from the carriers were sold to the investing public, and the proceeds were deposited with the Director General's revolving fund.

U. S. SHIPPING BOARD—MERCHANT FLEET CORP.

ESTABLISHMENT. Formed April 16, 1917, by the United States Shipping Board.

AUTHORITY. Shipping Act of 1916 and Merchant Marine Act of 1928.

LIFE. While intended as a war emergency agency, its activities became more or less permanent. Now merged into the United States Maritime Commission.

MANAGEMENT. The corporation was a subsidiary of the United States Shipping Board and was managed by a board of 7 trustees under direction of Secretary of Commerce.

LENDING FUNCTIONS. Made loans for the building and reconditioning of merchant ships. Loans outstanding as of Dec. 31, 1935, \$93,731,796. Total assets, including \$18,855,216 worth of ships, \$35,786,642 in real estate (wharves, terminal facilities, etc.) cash and receivables, \$173,266,908.

TERMS. Loans could not exceed 20 years; new construction loans ranged from 14 to 20 years and reconstruction loans ranged from five to 15 years.

RATES. Loans on ships in foreign trade carried 3½ per cent; those on ships in the domestic trade, 5¼ per cent.

CAPITAL FUNDS. The initial capital stock was \$50,000,000, and the law provided that this could not be exceeded; all, except qualifying shares of the trustees, who were Government officials, owned by the Department of Commerce in behalf of the United States.

OTHER FUNDS. Funds at the disposal of the corporation consisted of operating receipts, sales receipts, insurance premiums and annual appropriations made by Congress. The Shipping Board, on merger with the United States Maritime Commission, turned over to the latter outstanding loans of \$104,900,641 net together with unrequisioned appropriations and other cash items of \$85,969,770; various property and supplies valued at \$10,008,402 and a fleet of vessels valued at \$18,836,338.

WAR FINANCE CORPORATION

ESTABLISHMENT. Created by statute, April 5, 1918.

AUTHORITY. Act of Congress of 1918.

LIFE. Ceased to receive applications November 30, 1924; discontinued lending December 31, 1924; entered liquidation January 1, 1925.

PHYSICAL ORGANIZATION. Maintains an office with the Treasury Department; now has no employees.

MANAGEMENT. The corporation is under the jurisdiction of the Secretary of the Treasury; the Secretary, under authority vested in him by Act of March 1, 1929, has assigned liquidation to a Liquidating Committee.

LENDING FUNCTIONS. Designed originally to finance industries whose operations were necessary for prosecution of the war; corporation undertook railroad financing in 1919, and agricultural financing in 1921. The corporation advanced a total \$690,431,100 of which \$690,427,788 had been repaid June 30, 1938. Assets as of last report of Secretary of the Treasury, \$20,544. Up to that date the corporation had earned \$64,840,909.

TERMS. Advances were made for five years.

RATES. Rates were not less than 1 per cent in excess of prevailing discount rates for 90 day commercial paper and were not greater than the average rates receivable elsewhere.

CAPITAL FUNDS. Initial capital was \$500,000,000, all subscribed by the United States; \$1,000 is now outstanding.

OTHER FUNDS. The corporation was authorized to issue bonds up to six times its paid-in capital; \$20,000,000 was issued, of which \$10,575 now remains outstanding.

The Federal Home Loan Banks

By PRESTON DELANO

MR. DELANO, named *Comptroller of the Currency*, was *Governor of the Federal Home Loan Bank System* when this article was written.

A SHARPLY accelerated rise in the proportion of private to Government funds invested in the 12 Federal Home Loan banks was a significant development of the operations of the bank system during the fiscal year that ended June 30, 1938.

In the same period there was a decided increase in the number of insurance companies which have joined this reserve credit system in the field of thrift and home-financing institutions. More insurance companies were admitted to membership than in all the previous years of the System.

In November 1937 the last of the United States Treasury capital originally authorized by Congress to help establish the 12 Federal Home Loan banks was paid in. However, beginning in the previous Spring with a one-year issue of their own consolidated debentures, amounting to \$24,700,000, the banks went into the public money markets with a series of offerings. Four additional issues, having maturities of one to five years and the last dated July 1, 1938, have brought the total to \$142,700,000. Of this, \$52,700,000 had been retired on that date.

Mounting interest in these obligations has been shown by financial institutions throughout the country. Each issue was heavily oversubscribed within a few hours. The frequency of future issues of debentures will depend largely upon the local demand on member institutions of the bank system for long-term, amortized loans for the construction, purchase and modernization of homes and upon the volume of investment by individuals in the member institutions.

During the fiscal year members' holdings of stock in the Federal Home Loan banks increased from \$31,530,510 to \$36,771,205, while deposits of members with the banks rose from \$14,747,559 to \$19,873,356. All 12 banks are on a dividend-paying basis.

Advances by the banks to members during the period amounted to \$105,432,158, as against \$76,264,107 in repayments. Since their establishment late in 1932 the banks have advanced a total of nearly \$450,000,000, largely

on a long-term basis. A member may borrow from a bank an amount equal to 50 per cent of its net assets or its legal maximum, whichever is smaller. Thus the estimated potential borrowing capacity of all members extends to about \$1,454,000,000.

Other figures shed light on the progress of the system. The combined assets of the banks rose \$68,807,252 to a total of \$265,770,803 during the year and gross income increased to \$7,260,000 from \$5,063,000. A stronger liquid position of the banks is shown by an increase in their holdings of cash and obligations of, or guaranteed by, the Government, which climbed from \$29,246,501 to \$68,780,028. Surplus and undivided profits totaled \$6,469,125 as compared with \$4,360,323 on June 30, 1937.

Membership in the bank system increased by 70 institutions during the year. Twenty-six insurance companies joined, bringing the number of insurance company members to 38. These had combined resources of more than \$404,000,000. One \$40,000,000 mutual savings bank was admitted to membership, making a total of nine institutions in this category. Assets of all members amounted to \$4,308,104,000.

Loans made by member savings and loan associations, which constitute a large majority of institutions in the system, amounted to approximately \$593,000,000 in 1937-1938, a decrease from the \$611,000,000 registered in the previous year. The distribution of these loans by purpose shows that 35 per cent were for home construction and reconditioning, 33 per cent for the purchase of existing houses, 22 per cent for refinancing and 10 per cent for miscellaneous purposes. It is estimated that 85 per cent of all loans by institutions of the savings and loan type were made by members of the Bank system, indicating their dominance in the financing of small homes in this country.

To compare the volume of lending by savings and loan members of the bank system with that of all other financial institutions, it is necessary to go back to figures for the calendar year of 1937. Carefully compiled estimates place the proportion of all institutional home mortgage loans made by member associations at 42.1 per cent, in comparison with 25.4 per cent by commercial banks, 9.5 per cent by mutual savings banks, 15.8 per cent by life insurance companies and 7.2 per cent by savings

and loan associations outside of the Federal Home Loan Bank system.

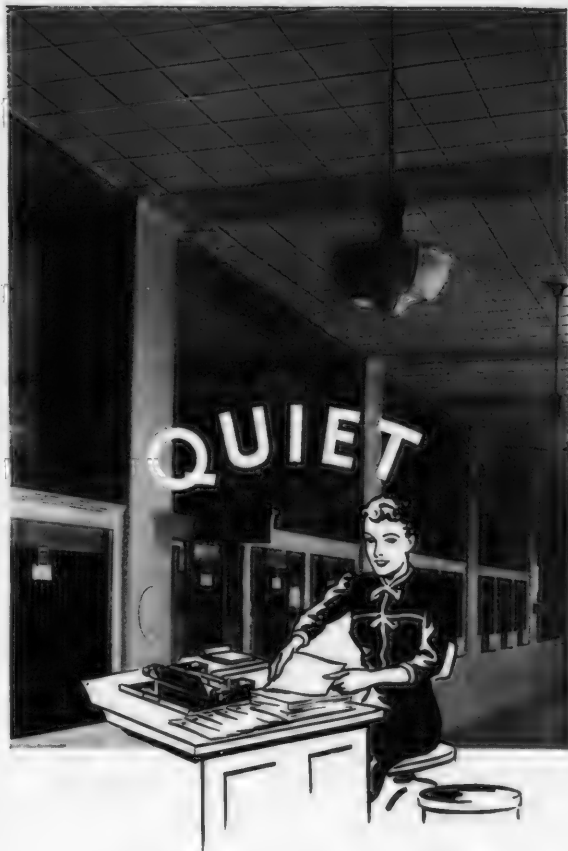
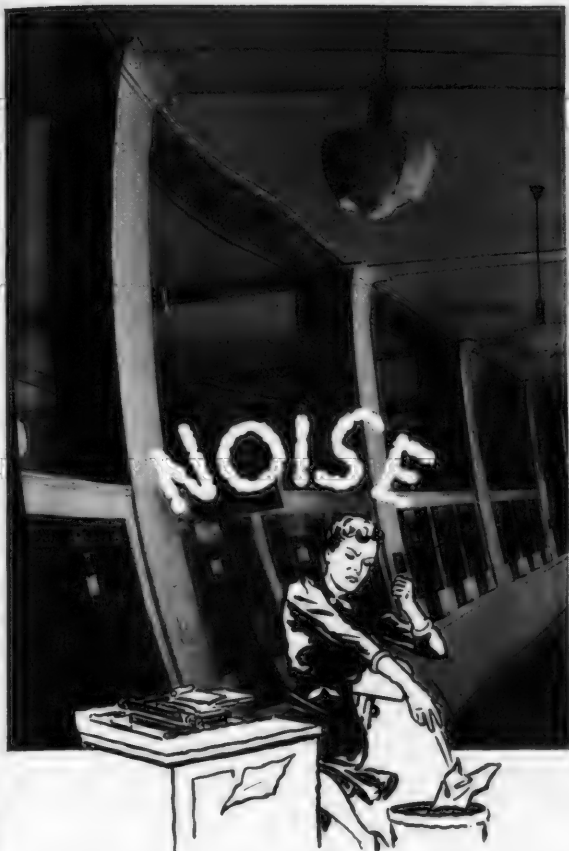
The growth in resources of the bank system together with the increase of savings funds now going into the member institutions from the public indicate that these thrift and home-financing associations will play a progressively more important role in providing the funds necessary to meet the demand for home mortgage credit.

SAVINGS AND LOAN

WHEN the Home Owners' Loan Act was passed by Congress in June 1933, it contained an enabling provision that largely escaped public notice at that time. It had been inserted on the recommendation of thrift and home-financing institutions and national leaders familiar with the defects in the American home-financing structure that stood revealed by the shock of the depression.

This part of the act authorized any interested group of citizens throughout the country to organize a permanent, mutual savings and home-loan institution in its community, which, upon application to the Federal Home Loan Bank Board, and approval, would receive a national charter as a Federal savings and loan association and be subject to supervision and examination by the board. The primary purpose was to extend thrift and home-financing facilities to communities inadequately served by such financial organizations. The charter was so drawn as to incorporate the soundest practices of savings, building and loan associations as they have been proved over the past 100 years. Loans by these associations were required to be of the direct-reduction, amortized type.

By the same act any existing state-chartered association of the building and loan type was allowed to convert to Federal charter upon the vote of its board of directors and shareholders and upon approval as to its soundness by the Federal Home Loan Bank Board. All Federal savings and loan associations were required to be member institutions of the Federal Home Loan Bank system. In order promptly to expand their lending facilities, provision was made for investment of Government money in their shares. Two years later, with an increased appropriation, Congress also made Federal investment open to state-chartered member institutions of the Federal Home Loan Bank system which applied for such



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funds and were approved by the board.

At the end of the fiscal year of 1938, there were 1,346 Federal savings and loan associations located in 45 states and in the District of Columbia, Hawaii and Alaska, with total assets of \$1,213,874,000. Six hundred and forty, having assets of \$301,242,000, were institutions newly organized since the passage of the act, and 706, with resources of \$912,632,000, were established associations that had converted to Federal charter.

Necessity for the further chartering of new Federal associations appears now almost non-existent. During the

year a few charters to new organizations were issued, but because of mergers and cancellations there was a net decrease of seven in the number of associations created since passage of the act. In contrast, the number of converted associations increased by 67. Charters issued in the future will be chiefly to state associations desiring to adopt the Federal connection.

For new Federal associations the average size is nearly \$500,000 in resources. For converted Federal associations the average is about \$1,300,000.

Federal associations loaned a total of \$282,000,000 during the fiscal year

as compared with \$292,000,000 the previous year. In dollar volume, loans by Federal associations in the past year amounted to more than 40 per cent of the total of lending by all savings, building and loan associations in the country.

Federal Savings and Loan Insurance

By NUGENT FALLON

MR. FALLON is General Manager of the Federal Savings and Loan Insurance Corporation.

THE Federal Savings and Loan Insurance Corporation has continued to expand the coverage of its protection. During the fiscal year ended June 30, 1938, the number of insured thrift and home-financing institutions increased by 258. At that time, after less than four years of operation by the insurance corporation, the total number of insured associations had reached 2,014. These held combined assets in excess of \$1,978,000,000 and the investments of more than 1,924,000 people. Besides the Federal Savings and Loan associations, for which insurance is mandatory by law, the insured institutions included 678 state-chartered thrift associations which had applied and qualified for such a safeguard. Evidence of the salutary effects of insurance is the increase of investments by the public in the insured institutions which amounted to about 11.7 per cent in the year 1937.

The net earnings of the insurance corporation during the year reached \$4,992,186. Losses totaling \$102,820 were sustained. Assets of the corporation on June 30 were \$114,077,882.

Many of the Federal associations and state insured associations are the result of mergers or other reorganizations prior to insurance, carried out with the support of Federal facilities and the cooperation of state supervisory authorities. In a large number of states the insurance corporation has participated in rehabilitation programs with state authorities. Such cooperation has consisted largely of joint analyses of the problems of local institutions, establishing tentative conditions for obtaining insurance for the associations concerned, assisting institutions directly to effect reorganization and granting insurance upon the completion of the program.



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Public Works

By HAROLD L. ICKES

MR. ICKES, *Secretary of the Interior, is Administrator of the Federal Emergency Administration of Public Works.*

THE Public Works Administration was created during the dark days of 1933 to put men to work through the construction of socially beneficial public works. From its inception PWA enabled state, county and municipal governments to select and build, by means

of PWA loans and grants, projects needed for the efficient rendering of services by such governments to the people. It was found that schools, hospitals, bridges, roads, housing and slum clearance projects, waterworks, sewage systems and disposal plants were needed in all parts of the country if the American level of education, health, transportation and sanitation was to be maintained.

PWA not only made possible the construction of these and similar projects,

At the end of June, Government agencies had a total of \$259,529,310 invested in member savings and loan associations of the bank system, on which it is receiving dividends averaging about 3.5 per cent. About \$88,000,000 remained of the funds authorized, which may also be invested in obligations of the Federal Home Loan banks. The law provides for the eventual retirement of these government investments as well as the Federal holdings in the capital of the 12 Home Loan banks.

Home Owners' Loan Corporation

By CHARLES A. JONES

The author is General Manager of the HOLC

AT the end of the fiscal year 1937-1938, nearly 750,000 of the original 1,018,171 borrowers were in good standing on the books of HOLC. Borrowers had paid back \$435,000,000, or about 13.5 per cent, of their entire principal indebtedness. Monthly collections averaged nearly 92.9 per cent of current billings during the year.

By foreclosure and voluntary surrender of deed HOLC had acquired 100,022 properties, of which 17,532 have been sold. Properties numbering 553 have been purchased by third parties at foreclosure. The rate of sales of HOLC properties has increased markedly during recent months. Homes are reconditioned as necessary and offered to purchasers through established brokers at fair value in quantities commensurate with the local real estate market. Dumping is avoided. Of the homes owned by HOLC and available to rent, 87.6 per cent were rented on June 30. Rent collections for June were 98.8 per cent of rentals billed.

On June 30, HOLC bonds outstanding amounted to \$2,952,993,850, including \$100,000,000 authorized as capital for the Federal Savings and Loan Insurance Corporation, and about \$212,000,000 represented by HOLC investments in savings and loan associations. Bonds totaling \$338,459,700 had been retired.

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The First National Bank of Chicago

Statement of Condition September 28, 1938

ASSETS

Cash and Due from Banks,	\$358,175,340.02
United States Obligations—Direct and fully Guaranteed,	
Unpledged,	\$287,289,817.84
Pledged—To Secure Public Deposits,	14,550,187.50
To Secure Trust Deposits,	18,825,297.66
Under Trust Act of Illinois,	549,908.12
Other Bonds and Securities,	321,215,211.12
Loans and Discounts,	79,348,937.99
Real Estate (Bank Building),	222,992,663.20
Other Real Estate,	6,410,322.35
Federal Reserve Bank Stock,	1,695,197.74
Customers' Liability Account of Acceptances,	1,800,000.00
Interest Earned, not Collected,	1,723,420.47
Other Assets,	3,447,524.90
	416,930.57
	\$997,225,548.36

LIABILITIES

Capital Stock—Common,	\$30,000,000.00
Surplus Fund,	30,000,000.00
Other Undivided Profits,	5,420,887.77
Discount Collected but not Earned,	676,395.26
Dividends Declared, but Unpaid,	450,000.00
Reserve for Taxes, etc.,	2,136,413.56
Liability Account of Acceptances,	1,877,326.05
Time Deposits,	\$182,629,341.52
Demand Deposits,	665,653,038.65
Deposits of Public Funds,	78,378,125.78
Liabilities other than those above stated,	926,660,505.95
	4,019.77
	\$997,225,548.36

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

every one of which added to the real wealth of the nation, but in doing so it utilized the existing structure of private industry, particularly that of the heavy industries, to put men to work both on the site of construction and behind the lines.

Moreover, in its non-Federal program, PWA created markets for bonds when there were none; it put money into circulation and increased purchasing power throughout the whole national economy; it increased the wealth and well-being of the nation; and it proved conclusively that a properly operated public works program was a successful

national weapon at a time of economic adversity.

By direct grants to Federal agencies under the first public works program, as well as under the present one which began last June, the Public Works Administration has increased the efficiency of the Federal Government and removed a burden from future budgets. The Federal construction carried on under these two PWA programs would, of necessity, have to be done in the next few years if Federal services were not to be crippled by lack of necessary equipment.

On June 16, 1938, the Federal

Emergency Administration of Public Works marked its fifth birthday. In its five years, after starting from scratch, the Public Works Administration built up this record:

Allotments were made for 15,902 Federal projects and 10,543 non-Federal projects, or a total of 26,445 projects located in 3,068 of the 3,071 counties in the United States. The total estimated cost of these projects was \$4,338,367,794. Contracts were awarded on 98.2 per cent of all PWA projects for which allotments have been made, and the majority of these projects have been completed and are now in use.

A total of 5,447,487,234 man-hours of work were provided by PWA projects. Of this work 1,556,462,924 man-hours were supplied by PWA projects at the site of construction and 3,891,062,310 additional man-hours in the production of raw materials, the fabrication of finished materials and the transportation of these materials.

BUSINESS STIMULATION

MORE than two billion dollars of PWA funds have been spent for materials and supplies in the five years of the Public Works Administration. As an example of the effect of the PWA program—the largest construction program in the history of the country—statistics show that PWA orders accounted for 72 per cent of the entire domestic cement output in 1934 and by 1936, as general business revived, these orders required 17 per cent of the domestic production in cement. In 1934 PWA orders for brick and hollow tile took 26 per cent and in 1936 more than 43 per cent of the entire domestic output. These are merely examples of what had to be supplied from all parts of the country. It was through this diffusion of PWA orders that the structure of private industry was used effectively to increase the purchasing power throughout the country.

One June 22, 1938, the Public Works Administration swung into high gear in order to complete a new PWA program under the time limitations set by the third session of the 75th Congress. This Congress had appropriated \$965,000,000 of which \$200,000,000 were for Federal projects. The non-Federal part of the program was to be operated on a 45 per cent grant and 55 per cent loan basis. Time limitations were set by Congressional action so that all new applications for non-Federal projects had to be filed before October 1, 1938, and new projects must be started by January 1, 1939, and substantially completed by July 1, 1940.

With these requirements laid down

NATIONAL BANK OF DETROIT

Statement of Condition, September, 28, 1938

RESOURCES

Cash on Hand and Due from		
Other Banks	\$141,658,880.67	
United States Government Obligations, direct and/or fully guaranteed	204,762,463.02	
Other Securities	10,834,197.44	
Stock in Federal Reserve Bank	750,000.00	
Loans and Discounts	44,701,539.51	
Real Estate Mortgages	9,641,578.72	
Overdrafts	8,644.38	
Real Estate (24 Branch Bank Buildings)	780,891.21	
Accrued Income Receivable—Net	1,299,763.83	
Prepaid Expense	229,196.80	
Customers' Liability Account of Acceptances and Letters of Credit	1,620,755.22	
TOTAL RESOURCES	\$416,287,910.80	

LIABILITIES

Deposits:		
Commercial, Bank and Savings	\$334,815,653.20	
U. S. Government	13,903,675.05	
Treasurer—State of Michigan	9,306,745.02	
Other Public Deposits	24,785,576.08	\$382,811,649.35
Capital Account:		
Preferred Stock (Paid in)	10,000,000.00	
Common Stock		
(Paid in \$5,000,000.00—		
Earned \$2,500,000.00)	7,500,000.00	
Surplus (Paid in \$5,000,000.00—		
Earned \$2,500,000.00)	7,500,000.00	
Undivided Profits (Paid in \$2,500,000.00—Earned \$2,939,821.26)	5,439,821.26	30,439,821.26
Reserves		1,415,684.97
Our Liability Account of Acceptances and Letters of Credit		1,620,755.22
TOTAL LIABILITIES		\$416,287,910.80

United States Government Securities carried at \$29,935,000.00 in the foregoing statement are pledged to secure public and trust deposits and for other purposes required by law.

Member Federal Deposit Insurance Corporation

Farm Credit Administration

By WILLIAM I. MYERS

Mr. MYERS, now on the faculty of Cornell University, was Governor of the Farm Credit Administration when he wrote this article.

THE primary purpose of the Farm Credit Administration, established by executive order of the President, effective May 27, 1933, is to provide an organization through which farmers, with a basis for credit, can reach the

investment market and obtain funds for periods required by the nature of their business, at the lowest cost consistent with sound business operation.

Four permanent credit institutions, Federal Land Bank, Federal Intermediate Credit Bank, Production Credit Corporation, and Bank for Cooperatives, are located in each of 12 Farm Credit districts. Loans to farmers are made through local cooperative national farm loan and production credit associations. Loan funds are obtained

by Congress "time was of the essence" in the 1938 public works program. Within a matter of hours after President Roosevelt signed the bill, PWA announced allotments for nearly 2,000 projects which were taken from the reserve that had been built up for just such an emergency.

Thirty working days after the beginning of the 1938 PWA program 2,871 non-Federal projects had received allotments totaling \$385,520,964, of which \$348,563,464 were in grants and \$36,957,500 were in loans. At the same time allotments had been made for 945 Federal projects aggregating \$193,343,871. The total number of projects for which allocations had been made in the first 30 working days of the new program amounted to 3,816, with total allotments of \$578,864,835, of which \$36,957,500 were in loans and \$541,907,335 were in grants. The total estimated cost of these projects was \$953,997,199.

In 1938, on the basis of PWA's past experience, it is known that there is a maximum possibility of providing more than 15,000,000 months of normal employment for American workmen and over \$1,000,000,000 worth of orders for American industry if the present program functions to full capacity. At the time that this is written it appears that the new program will function at its full capacity. It is even possible that before the time limit set by Congress many meritorious projects will not be approved because of lack of funds, or because applications have come in after the deadline of September 30. It even seems probable that a reserve of socially beneficial and needed projects may be built up so that if the need arises for an additional public works program, it can be met speedily and efficiently.

A properly administered public works program has been proven to be an effective method of combating depression. It has also been proved that with a reserve of proper projects a public works program can be put into effect without waste of time or money. It has long been my belief that a Public Works Administration should be a permanent part of the Government. It should be capable of expansion when it is needed and capable of functioning efficiently on a contracted basis when it is not necessary to correct economic maladjustments. Such a permanent organization would prevent the loss of the inestimable experience already gained and would provide the nation with a sound and effective method of meeting economic emergencies.

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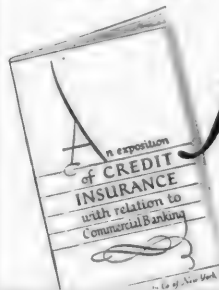
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largely through the sale of securities, Federal Land Bank bonds and Federal Intermediate Credit Bank debentures, in the investment market. There were outstanding on June 30, 1938, \$1,840,636,080 in Federal Land Bank bonds and \$218,050,000 in debentures. These securities are tax exempt but are not guaranteed by the Government.

The Federal Land banks and Land Bank Commissioner hold approximately 38.5 per cent of the outstanding farm mortgage debt. Loans outstanding by these two institutions on June 30, 1938, aggregated \$2,791,632,000. These loans are made for periods up to 40 years and

are amortized through small yearly or half-yearly payments.

From June 1933 to January 1, 1936, the Federal Land banks and Land Bank Commissioner made farm mortgage loans totaling \$1,940,000,000. This represented over 60 per cent of the total farm mortgage business recorded during that period. These loans were largely for refinancing purposes and involved a reduction in interest rates from an average of 6.2 per cent to less than 5 per cent. This saving will amount to about \$40,000,000 in 1938.

During the past two and a half years, private lenders have been handling an

increasingly larger percentage of the farm mortgage business recorded. Farm mortgage recordings throughout the United States indicated that for the first quarter of 1938 individuals accounted for 35.1 per cent of the amount of farm mortgages recorded; commercial banks 26.8 per cent; insurance companies 19 per cent; Federal Land banks and Commissioner 11.9 per cent; and miscellaneous creditors 7.2 per cent. Estimated mortgage recordings for the first quarter of this year total \$214,789,000.

The Federal Land banks, established in 1917, are the oldest of the cooperative agricultural credit institutions. In June 1933, Congress authorized the establishment of two additional systems of agricultural credit cooperatives, production credit associations and banks for cooperatives. In five years of operations, the production credit associations have loaned \$972,219,009 to farmers for crop and livestock production and other farm purposes. The banks for cooperatives, during the same period, have loaned to farmers' cooperative business associations \$346,646,547 on commodities and to provide operating capital and physical facilities.

Continuing activities of the Farm Credit Administration in developing its permanent program are the building of strong, active local associations of farmer-borrowers, assisting worthy farmers to become farm owners, and maintaining a loan policy based principally on income from farm operations rather than wholly on other value of the mortgaged property.

The district banks for cooperatives have just completed a nationwide survey of all farmers' cooperative marketing, purchasing, and farm business service associations. A published report will be available later. Figures on credit extended to farmers' cooperatives for 1936, the year covered by the survey, show that about 7,640 farmers' marketing and purchasing cooperatives, and mutual insurance and irrigation companies, or slightly less than half the total number, use credit.

FARM MORTGAGE CREDIT

PRINCIPAL payments by borrowers on Federal Land Bank loans for the six-month period ended June 30, 1938, exceeded new loans closed, continuing a trend that has been in evidence since the middle of last year. New loans amounted to \$29,013,423, or a decrease of about 20 per cent over the corresponding period of 1937. Principal payments by borrowers aggregated \$30,219,159, which is 8 per cent less than those



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The interest rate on most new loans through national farm loan associations continues at 4 per cent. By act of Congress, a temporarily reduced rate of $3\frac{1}{2}$ per cent is effective on interest payable before July 1, 1940.

The condition of Land Bank loans has remained relatively stable over the past year. Loans with all installments fully paid by borrowers were 78.5 per cent of the total number outstanding on June 30, 1938, compared with 77.8 per cent on June 30, 1937.

The banks' investment in real estate, sheriffs' certificates and loans called for foreclosure on June 30, 1938, totalled \$140,319,049, or \$10,156,548 less than on June 30, 1937. Real estate sales activity, however, is at a lower level than a year ago.

The net amount of farm loan bonds outstanding decreased by \$21,453,520 during the six-month period. This net decline reflects the call for payment on May 1 or \$22,439,300 of individual 4 per cent bonds.

The capital stock of 12 Federal land banks totalled \$238,471,507 on June 30. Of this amount, \$110,135,282 is owned by national farm loan associations, \$124,801,520 by the United States Government, and \$3,534,705 by borrowers with direct loans.

Emergency Mortgage and Other Credit

By A. S. GOSS

Mr. Goss is Land Bank Commissioner, Farm Credit Administration.

IN the past three years, the 12 Federal Land banks and the Land Bank Commissioner have extended over \$137,000,000 in long-term loans and on sales of Federal Land Bank farms on mortgage and contract terms to farmers to buy farms. Through these purchases over 55,000 farm tenants, farm laborers and others have become farm owners. Despite lower farm commodity prices, during the six-month period ended June 30, some 9,114 farmers obtained \$22,968,255 in long-term loans and purchase money mortgages to buy farms.

Land Bank Commissioner loans, a temporary activity of the Farm Credit Administration and available only until February 1, 1940, aggregating \$16,920,530, were closed during the first six months of 1938. New loans for the first half of the year were 28 per cent less

than those during the corresponding period of last year, reflecting a reduced demand for this type of loan.

On June 30, 1938, the per cent of Land Bank Commissioner loans outstanding with all installments fully paid by borrowers was 73.9, as compared with 74.4 per cent on March 31, 1938, and 78.9 per cent on June 30, 1937.

Land Bank Commissioner loans called for foreclosure, real estate and sheriffs' certificates owned by the Federal Farm Mortgage Corporation amounted to \$35,076,534 on June 30, 1938, compared with \$18,801,918 a year ago.

Intermediate and Short-Term Credit

By G. M. BRENNAN

The author is Intermediate Credit Commissioner, Farm Credit Administration.

THE 536 production credit associations during the first six months of 1938 made 165,974 loans totalling \$153,944,813 which exceeded the June 30, 1937, figure, covering the same

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period, by \$10,482,176. The present interest rate is 5 per cent.

With a larger volume of loans made by the associations, their capital stock owned by farmers has increased because each farmer-borrower is required to own Class B stock in the association equal to 5 per cent of his loan. The greater part of the capital stock of the associations, Class A, is owned by the 12 production credit corporations which were established by provision of the Farm Credit Act of 1933 to organize, assist in the capitalization of, and to supervise the activities of production credit associations. On June 30, 262,547

farmer-members owned \$13,882,980, or 15.7 per cent, of the total paid-in capital compared with 13.5 per cent on June 30, 1937.

Production credit association loans outstanding on June 30 amounted to \$183,168,616 or \$20,414,570 more than last year's peak of \$162,754,046 reported on July 31, 1937. The seasonal peak is ordinarily reached in July. During the first seven months of the year advances exceed repayments but during the last five months of the year, repayments exceed advances.

The loan funds of the production credit associations are obtained mainly

by discounting eligible agricultural paper with the Federal intermediate credit banks which in turn sell short-term collateral trust debentures in the investment market. Debentures are usually sold with maturities of from three to nine months coordinated with those of the loans and discounts of the Federal intermediate credit banks.

The greater part of the loans and discounts business of the Federal intermediate credit banks is with production credit associations. During the first six months of this year about 75 per cent of the loans and discounts made by the banks were for these associations. However, other financing institutions holding eligible agricultural paper may discount with these banks. The present discount rate is 2 per cent.

On June 30, 1938, the Federal intermediate credit banks had outstanding in loans and discounts \$250,900,951, the largest amount on record, \$223,074,860 of which represented credit extended to 536 production credit associations, and over a hundred agricultural credit corporations, livestock loan companies and similar institutions, \$18,978 to one farmers' cooperative association, and discounts for thirteen banks for cooperatives aggregating \$27,807,113.

BANKS FOR COOPERATIVES

THE 13 banks for cooperatives on June 30, 1938, had loans outstanding totalling \$81,190,495, compared with \$45,032,454 a year ago, which reflects increases in each of the three types of loans outstanding.

Of the total loans outstanding on June 30, 1938, \$60,355,725 represented loans of the 12 district banks and the remaining \$20,834,770 represented loans of the central bank. The central bank also held an interest in \$8,994,727 of commodity loans of the New Orleans and Houston banks for cooperatives which were discounted with Federal intermediate credit banks.

Operating capital loans, which supplement the cooperative associations' own capital funds, accounted for 37 per cent of the total loans outstanding at the end of June; and commodity loans, which are made on the security of staple commodities held in storage and are the shortest term loans made by the banks, accounted for 35 per cent. The remaining 28 per cent were facility loans, used to finance or refinance the purchase, lease, or construction of physical property required for the operation of the cooperatives' business.

At the end of June, cooperative associations dealing in fruits and vegetables had approximately 23 per cent

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of the total loans outstanding of the system; cotton cooperatives had 21 per cent; dairy cooperatives, 11 per cent; farm supply cooperatives, 10 per cent; wool and mohair cooperatives, 9 per cent; and grain cooperatives, 6 per cent. The remaining 20 per cent was outstanding to cooperative associations handling products, such as grape products, sugar and poultry, and to cooperatives providing farm business services, such as mutual irrigation and fire insurance companies.

Records show 68 per cent of the commodity loans, 85 per cent of operating capital loans and 29 per cent of facility loans made since organization in 1933 to June 30 of this year have been repaid.

Farm Security Administration

By C. B. BALDWIN

MR. BALDWIN is Acting Administrator of the FSA.

THE Farm Security Administration was created to help destitute farm families get off the relief rolls and back on their own feet.

In 1933 the Federal Government was confronted with the task of providing aid for more than 1,000,000 farm families, many of which lacked even the bare necessities of life. The depression, which first affected most groups of our citizens in 1929, merely made critical an already serious economic problem among the nation's farmers. Years of disastrous farm prices—coupled with careless, unscientific methods of tillage, unsound tenure systems, heavy debt burdens, inadequate acreage and serious erosion of the soil—had pushed a large part of our rural population into an economic bog from which there was no chance of escape without government aid.

There were two possible methods of meeting the problem. The first was to support needy farm families indefinitely on direct relief. The second was to help them climb back to self-sufficiency, by means of loans and technical guidance.

The second method was chosen as the cornerstone of the rural aid program, although it has been necessary to extend direct relief to thousands of families, especially in drought and flood areas.

The choice was made because the first method would have resulted in burdensome drain on the Federal Treas-

MANUFACTURERS TRUST COMPANY

Condensed Statement of Condition as at close of business
September 30, 1938

RESOURCES

Cash and Due from Banks	\$206,617,807.38
U. S. Government Securities	183,374,045.18
State and Municipal Bonds	21,925,790.38
Stock of Federal Reserve Bank	2,260,650.00
Other Securities	57,474,475.24
Loans, Bills Purchased and Bankers' Acceptances	232,369,224.48
Mortgages	22,160,397.58
Banking Houses	13,156,595.52
Other Real Estate Equities	4,716,468.66
Customers' Liability for Acceptances	17,086,250.69
Accrued Interest and Other Resources	2,407,936.29
	<u>\$763,549,641.40</u>

LIABILITIES

Preferred Stock	\$ 9,306,520.00
Common Stock	32,998,440.00
Surplus and Undivided Profits	45,129,356.66
Reserves	7,090,580.72
Common Stock Dividend (Payable October 1, 1938)	824,958.50
Preferred Stock Dividend (Payable October 15, 1938)	232,663.00
Outstanding Acceptances	17,481,741.74
Liability as Endorser on Acceptances and Foreign Bills	5,392,246.49
Deposits	645,093,134.29
	<u>\$763,549,641.40</u>

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ury and could not provide a permanent solution to the problem. The second course is largely self-liquidating; it helps farm families get off relief and stay off; and therefore, it opens at least one avenue toward a permanent solution of our national farm problem.

The program of the Farm Security Administration includes four major activities—rural rehabilitation, farm debt adjustment, loans to tenant farmers for land purchases, and subsistence grants.

Rural rehabilitation consists principally of making small loans to needy farm families unable to obtain adequate credit from any other source, for the

purchase of such bare farming essentials as seed, a plow, a mule, a few chickens. Loans are made only to those families which agree to operate their farms under sound management plans, worked out in cooperation with Farm Security Administration supervisors.

Loans are made for a period of five years, carry an interest rate of 5 per cent, and have averaged about \$300 each. Up until June 1, 1938, rehabilitation loans totalling \$203,269,000 had been made to more than 646,000 farm families. An overwhelming majority of these families are meeting their payments. A total of more than \$50,000,000

already has been repaid and about 50,000 families have wiped out their debt completely, long before it was due. Funds totalling \$120,000,000 have been set aside to carry on this work during the 1938-39 fiscal year.

Loans are also made to groups of farmers who band together to buy the more costly types of farm machinery, such as threshing machines, or to set up cooperative marketing organizations. Loans for this purpose totalled \$4,200,000 up to June 1, 1938.

Another phase of the Farm Security Administration program is designed primarily to aid farm families stranded on exhausted, eroded land to re-establish themselves on better farms capable of producing a decent living.

TWO PLANS

TWO methods have been worked out to accomplish this end. The first involves the moving of stranded families into new farm communities, planned and developed by the Farm Security Administration. The houses, barns and community buildings in these communities are constructed by the Farm Security Administration at the lowest possible cost consistent with good building practice. Under Farm Security Administration regulations the cost of houses built in the South may not exceed \$1,300. A cost limitation of \$2,100 has been placed on houses built in the northern states. In several of these communities the farmers operate their lands cooperatively, which permits them to take advantage of the savings from large scale operating methods.

The second plan involves moving stranded families on to individual farms scattered through already established areas where it has been possible to acquire desirable lands cheaply. About 10,000 farm families have been re-established by these two methods.

Many farmers have become so hopelessly overburdened with debt that it is impossible for them to get back on their feet until some readjustments have been made. For this reason, the Farm Security Administration has organized local farm debt adjustment committees, which attempt to arrange an equitable settlement between the debt-ridden farmer and his creditors.

Although such committees merely serve as mediators, without any authority to enforce an agreement, they had negotiated readjustments in 74,719 individual cases up to June 1, 1938. The total indebtedness involved was scaled down \$61,529,000, or an average of about 25 per cent, and many other adjustments were made in interest rates

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CONDENSED STATEMENT OF CONDITION

At the close of business, September 30, 1938

ASSETS		LIABILITIES	
Cash on Hand, and in Federal Reserve and Other Banks	\$115,121,307.57	Deposits	\$364,460,926.23
Exchanges, Collections and Other Cash Items	42,151,881.89	Outstanding and Certified Checks	12,830,178.10 377,291,104.33
United States Government Securities	141,069,269.48	Dividend Payable October 1, 1938	625,000.00
Reconstruction Finance Corporation Notes	3,300,000.00	Accounts Payable and Other Liabilities	3,486,833.64
Other Bonds and Securities	16,813,634.91	Acceptances and Letters of Credit	6,140,117.65
Loans, Discounts and Bankers' Acceptances	94,493,170.05	Acceptances, etc., Sold with Our Endorsement	5,681,394.12
Interest Receivable, Accounts Receivable and Other Assets	4,804,108.88	Reserve for Contingencies	4,414,271.02
Real Estate Bonds and Mortgages	4,964,559.91	Capital	12,500,000.00
Customers' Liability for Acceptances and Letters of Credit	6,093,946.73	Surplus	25,000,000.00
Liability of Others on Acceptances, etc., Sold with Our Endorsement	5,681,394.12	Undivided Profits	2,938,851.94 40,438,851.94
Equities in Real Estate	812,426.52		
Banking Premises—Equity and Leasehold	2,771,872.64		
	<u>\$438,077,572.70</u>		<u>\$438,077,572.70</u>

United States Government obligations and other securities carried at \$21,107,668.47 in the above statement are deposited to secure public and trust deposits and for other purposes required by law.

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and terms of payment. In this way, thousands of farmers have brought obligations within their ability to pay, and their creditors have made substantial collections on what had appeared to be hopelessly frozen assets. Moreover, about \$4,096,000 in back taxes had been paid to local governmental agencies as a direct result of this activity.

Under the Bankhead-Jones Act of 1937, the Farm Security Administration was authorized to make loans to competent tenants, sharecroppers and farm laborers to enable them to buy farms of their own. During the first year of the program \$10,000,000 was appropriated for this purpose. Up to June 15, a total of 1,068 loans had been made in approximately 333 counties. During the current fiscal year the Farm Security Administration is authorized to lend \$25,000,000 for such land purchases; the money is allocated among the states and territories on the basis of farm population and the prevalence of tenancy.

Under some circumstances, where the farmer has been stricken by floods, drought, or insects, or where he is not able to rent land capable of producing a living, it has been necessary to extend direct relief grants, rather than to make loans. Up until June 1, 1938, a total of \$71,384,000 had been spent in grants. During May, 111,000 families received this type of assistance. Every effort is made to reduce the grants by helping families to rehabilitate themselves as soon as possible. Congress appropriated \$30,000,000 to carry on this work during the current fiscal year.

The Maritime Commission

By EMORY S. LAND

MR. LAND holds the Chairmanship of the United States Maritime Commission.

THE United States Maritime Commission was created under the Merchant Marine Act, 1936, and under its authority took over all duties and functions, assets and liabilities of the United States Shipping Board and the United States Shipping Board Merchant Fleet Corporation. When the act became effective the board ceased to function and the corporation was dissolved.

The United States Maritime Commission also was vested with authority to pay operating and construction differentials to owners and shipbuilders in

the development and maintenance of the essential foreign trade services under the American flag and to build vessels for its own account for charter to operators of essential foreign services which the commission might consider as being inadequately served by owners of American flagships.

The commission was authorized to engage in three types of loan transactions for the aid of shipping.

1. Loans under Section 502 (c): If the vessel is eligible for a construction subsidy under Title V of the Merchant Marine Act, 1936, the applicant is also entitled to a loan in the amount of 75

per cent of the purchase price (excluding the cost of national defense features). Under the terms of Section 502 (c), he pays down 25 per cent and the balance is payable in not more than 20 years with interest at 3½ per cent. The down payment is payable to the commission at the time and in the same proportion as payments are made by the commission to the shipbuilder under the commission's construction contract.

The vessel on which a construction loan is made in connection with the granting of a construction subsidy, must fulfill all the eligibility requirements set forth in Title V relating to subsidies,

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construction and operation. Furthermore, the operator of a vessel receiving the construction subsidy and loan is required to comply with certain provisions of Title VIII of the act concerning foreign flag operation, inspection of books, lobbying, operating stevedoring, ship repair and continuous services operating in the coastwise trade, salary limitations, and others.

Since a vessel eligible for a construction loan and subsidy would be operating in foreign trade and hence be eligible also for an operating subsidy, it is safe to say that whoever is prepared to comply for a construction loan and subsidy

should be prepared to comply as well with the provisions of Title VI governing the granting of operating subsidies.

2. Loans under Section 509: The commission is authorized under this section to loan 75 per cent of the cost of the construction of a vessel (excluding the cost of national defense features) for operation in either the foreign or domestic trade. This type of loan may be made to the operator who does not want or is not eligible for a construction or an operating subsidy.

The balance of the purchase price must be paid within 20 years in not more than 20 annual installments with

interest at 3½ per cent. The security, of course, will be a preferred mortgage and such other collateral as the commission might require. On loans made under these sections the commission is authorized to accept three-fourths of one per cent less than the minimum rate which would otherwise be charged with respect to the period of construction of the vessel and its operation exclusively in the domestic trade.

An applicant for a loan without a subsidy under Section 509 is, of course, free from the supervision which the act attaches to subsidized operation. However, such a person would have to comply with the provisions of Title VIII with respect to the provision against lobbying and to the opening of his books for inspection by the commission.

If ships constructed either under Section 502 (c) or 509 are to be built on the West Coast, the Pacific Coast shipbuilders' bid may be 6 per cent higher than the bid of the lowest responsible bidder on the Atlantic Coast.

3. Insured ship mortgages under Title XI: During the last session of Congress considerable agitation arose for Government assistance to domestic shipping. This agitation was occasioned by the withdrawal of the Panama Pacific Line from the intercoastal trade. This focussed congressional attention on the plight of domestic shipping generally. Title XI of the Merchant Marine Act, 1936, as amended, approved June 23, 1938, provides in brief that the Maritime Commission may insure mortgages for the construction, repairing or reconditioning of vessels of the United States registry. The law is patterned to a certain extent upon the theory of the National Housing Act which created the National Housing Administration. Under it the commission guarantees 75 per cent of the mortgage loan. To obtain the benefits of the insurance contract the lender or mortgagee must foreclose his mortgage, obtain delivery of the vessel and redeliver it to the commission in exchange for which he will receive debentures in the amount of the unpaid indebtedness. An insurance premium is charged and the Act imposes certain conditions for the granting of the loan and the maintenance and supervision of the property.

Since January 1, 1938, the Maritime Commission either in cooperation with private operators or for its own account has placed orders for 37 new ships, one of which will be the largest passenger liner ever built in the United States. It is designed to take the place of the S.S. Leviathan.

The commission also has issued in-

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itations for bids on a series of cargo ships known as the C-3 which it has designed for foreign trade routes.

The balance sheet of the Maritime Commission as of December 31, 1937, shows net assets of \$200,645,249. Among the principal assets are \$111,122,398 in cash; \$68,786,544 in mortgage notes on construction loans; \$9,030,175 in mortgage notes on ship loans; \$7,901,751 in accounts and interest receivable; \$12,470,775 in fleet vessels, tugs, barges and launches at appraised values and \$16,790,625 in deferred charges and prepaid expenses, ship construction, terminals and miscellaneous.

The same balance sheet shows total liabilities of \$30,726,819 of which the principal item is \$16,759,586 in commitments on ship construction and terminals. An item of \$5,744,214 is carried in the account as a reserve for ocean mail contract settlements and accounts payable amounting to \$4,597,174, while marine insurance accounts for \$1,794,852.

Under the commission's program of 50 ships a year for 10 years, mortgage notes on construction and sale are expected to increase substantially as an orderly program of replacement develops.

Rural Electrification

By JOHN M. CARMODY

MR. CARMODY is Administrator of the Rural Electrification Administration.

ELECTRIC service for farms has had its first speedy large-scale development in the three years since REA was established. Rural power is no longer a luxury, confined to the big farms and the farms close to our cities. The power lines have marched into the great dirt farm areas where utility lines were few and oil lamps still a commonplace. The result is that the number of American farms receiving central station electric service has almost doubled.

Rural electrification began soon after the World War. Fifteen years later, in the Spring of 1935, central station service was limited to little more than one farm in ten. Today, more than one farm in six, or in excess of 18 per cent, have at their command the "universal servant" which holds so much of promise for a new era in American agriculture. The gap between urban and rural standards of living is closing.

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REA projects alone are bringing new conveniences and opportunities to approximately 250,000 rural families, comprising some 1,250,000 men, women and children. Some 250 projects are already in operation. More than 100 others are under construction and will soon be ready to be energized. Lines are going up in 43 states, financed by loans totaling, at the close of the fiscal year June 30, 1938, nearly \$90,000,000. The loans are generally for the whole cost of the project and must be paid back with interest in 20 to 25 years.

In addition to the approximately 80,000 miles of rural power line made possible through these REA loans, there are 20 generating plants, completed or on the way, for projects where wholesale power could not be purchased from existing sources under equitable terms and conditions. These generating plants account for over \$2,880,000 of the total loaned. Generating plant allotments totaling above \$1,000,000 more were rescinded when other sources of power finally became available, making it unnecessary actually to build the plants. More than \$1,500,000 has been allotted to projects desiring to finance wiring and plumbing installations for their customers.

The appropriation by the Congress of an additional \$100,000,000 together with the \$40,000,000 in the regular appropriation for the coming fiscal year, will enable REA to clean up a great volume of unfilled requests and care for a normal year's increase in applications as well.

Although rural electrification had virtually come to a standstill by 1935, the private utilities have more than kept pace with REA in the three years since. The years 1936 and 1937 were each in turn record-breaking from the point of view of new rural customers connected to private utility lines. Where 1933 and 1934 combined saw some 34,000 new rural customers served by utility companies, more than 300,000 new rural customers have been connected since REA was established. Recovery from the depression of course played an important part in this sensational spurt, but there can be no doubt that a large part of the activity should be attributed to Government stimulation.

The Federal Government's rural electrification program has had two major effects outside the direct financing of rural lines. It has broken the long-standing taboo that farmers cannot

afford electricity. The record of private utility connections bears eloquent testimony to the fact that industry no longer believes the farm is not worth bothering about. The Government's program has also shown the way to important reductions in the cost of lines. Simplified design and standardization have approximately halved construction costs. Where \$1,500 to \$2,000 per mile and more was once considered reasonable, REA-financed lines are averaging \$1,000 or less per mile complete, and construction costs of \$700 per mile and even \$600 per mile are becoming increasingly common.

REA engineers did not invent most of these improved techniques. They served as a catalytic agent, gathering up the best known practices, standardizing them and popularizing their use. The companies have been quick to adopt the advances.

The rural electrification program has meant important new markets for industry. Every \$1,000,000 lent means nearly \$750,000 for the manufacturers of poles, wire, transformers, meters, incidental hardware such as brackets and insulators, and construction equipment. It means nearly a quarter of a million dollars in direct labor, excluding that

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STATEMENT of CONDITION

September 28, 1938

Resources

Cash on hand, in Federal Reserve Bank, and due from Banks and Bankers	\$ 82,823,412.12
U. S. Government Securities, at par and accrued interest:	
Due five years or longer	5,742,741.00
Due less than five years	31,793,725.34
Due less than five years (set aside under Trust Companies Act to protect Trust Department's Cash Balances)	6,714,395.21
U. S. Treasury Bills at par	500,000.00
State and Municipal Securities, not exceeding market value:	
Due five years or longer	5,747,081.58
Due less than five years	33,678,493.18
Other Bonds and Investments, not exceeding market value:	
Due five years or longer	19,118,063.73
Due less than five years	8,981,193.02
Demand Loans	4,878,642.89
Time Loans and Bills Discounted	43,356,638.10
Illinois State and Municipal Securities, not exceeding market value, deposited under Trust Companies Act	500,000.00
Federal Reserve Bank Stock	390,000.00
Unexpired Federal Deposit Insurance	41,809.86
Customers' Liability on Acceptances and Letters of Credit	92,978.21
Total	\$244,359,174.24

Liabilities

Capital	\$ 6,000,000.00
Surplus	7,000,000.00
Undivided Profits	3,641,240.23
Reserve for Taxes, Interest, etc.	3,888,253.23
Acceptances and Letters of Credit	92,978.21
Demand Deposits	192,803,070.12
Time Deposits	24,471,371.98
Trust Department's Cash Balances	6,462,260.47
Total	\$223,736,702.57
Total	\$244,359,174.24

Member Federal Deposit Insurance Corporation

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portion of the cost of materials which goes finally to labor.

A \$1,000,000 loan also means at least 1,000 miles of new line, serving approximately 3,000 new rural customers. These new consumers wire their homes and farms at once and at their own expense. They spend an average of around \$85 per farm, or a total wiring cost of \$255,000, generated by the \$1,000,000 loan. The same \$1,000,000 loan generates an additional expenditure by the new consumers of some \$750,000 for appliances.

In short, every \$1,000,000 loan made by REA means approximately another \$1,000,000 put into circulation. On top of this there is the growing market for the sellers of electric energy, chiefly the private utilities. Finally, there are the incalculable new opportunities for a host of manufacturers to tap (through radio) an almost virgin market. Taken together these figures begin to indicate the meaning of rural electrification not only to American farmers, but to American industry as well. As the rural power lines continue to go up through the years, as I believe they will, they will benefit more and more both the farmers and industry.

From Washington

H.O.L.C. Mortgages

The Home Owners' Loan Corporation seems to be getting its home mortgage foreclosures under control. The additions to its real estate held for sale as shown by Treasury figures during the first eight months of the current year have been: January, \$19,808,716; February, \$15,821,018; March, \$14,238,959; April, \$13,458,652; May, \$10,260,558; June, \$5,773,623; July, \$5,379,021 and August \$3,179,669. Nevertheless the organization of home owners determination to secure even more liberal treatment from the Corporation continues. The debtors contend for a reduction of interest from 5 to 3½ per cent, extension of amortization payments from 15 to 25 years; a moratorium upon amortization payments for a period; and permission for former owners to rent their homes at a low rate in cases where foreclosure is necessary. As to the latter demand, there are some states in which the dispossessed mortgagors are able to occupy their lost property for extended periods without rent.

Baby Bonds

It is doubtful if any one, including the Federal Treasury, ever expected the issue of United States Savings Bonds to exceed a billion dollars but on September 30 the current redemption value of such bonds in the hands of the public amounted to \$1,333,515,346 and sales are running at the rate of around \$350,000,000 a year.

Land Bank Bonds

It is expected that the Federal Land Banks will borrow from commercial banks to retire the \$14,021,600 of 4¼

per cent individual bank bonds callable November 1 and discharge the debt to the banks as amortization payments come into the banks from farmer borrowers. With the redemption of this bloc of 4½ per cent obligations, less than a million dollars of individual Land Bank bonds will be outstanding.

Paint

In the F.H.A. home repair and modernization loans, painting continues to take first place, followed by structural repairs, heating apparatus and plumbing. The proportion in the several parts of the country is surprisingly uniform.



ONE DOMINANT PURPOSE

One purpose underlies
Central Hanover dealings
with each correspondent
bank: to try to make the
relationship advantageous to
both institutions.

**CENTRAL HANOVER
BANK AND TRUST COMPANY**
NEW YORK

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Clear the Tax Horizon

THOMAS I. PARKINSON, President, Equitable Life Assurance Society, before the NEW YORK FINANCIAL ADVERTISERS ASSOCIATION.

HOW are the institutions which invest the people's money, such as the life insurance companies, to feel about buying tax-exempt obligations of the Government when it is very possible that the exemption may be voided at any minute and when the institutions

have been notified of the Government's intention of taking away the very thing it offers to make its securities attractive — tax exemption? It is the duty of the Government rather to clear up the tax-exemption question at once and for all through constitutional amendment than to endeavor to outsmart the nation's business men.

The Treasury Department is doing nothing for the people, the investors of the country, by obtaining artificially

low interest rates through the generally condemned instrument of the tax-exemption clause, and thus making it appear as though the bonds of our corporate enterprises should rightfully have an equally low rate of interest. The men and women of the country, who are the life of the great insurance institutions, cannot live for long with unreasonably low interest rates.

Why does the Government seem to prefer legislation as the method of effecting abolition of tax exemption when constitutional amendment would be the quicker and easier way? Either Government officials fear that the people of the country do not wish abolishment of tax exemption or they fear that any amendment adopted by the people would not apply to already outstanding tax-exempt securities and thus would not open up this huge reservoir of revenue to the Treasury.

While it is the duty of business men to take the initiative and direct their energies in the fields where the Government cannot possibly have the experience and knowledge to act, business is helpless in this particular field until the Government makes the first move in clearing the horizon and laying before every one a tax program which leaves no doubts or questions.

ACKNOWLEDGMENT

We take this opportunity of expressing our appreciation for its emphasis on sound banking practices and for the efficient and high-principled cooperation given by the

INSURANCE COMMITTEE
of the
AMERICAN BANKERS ASSOCIATION

to the Surety Companies in the preparation and sponsoring of up-to-date bank insurance contracts.

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COMPANY
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HOME OFFICES: NEW YORK

Both Companies write Fidelity, Forgery and Surety Bonds and Casualty Insurance

BANKING'S

Aladdin or Frankenstein?

Dr. KARL T. COMPTON, President, Massachusetts Institute of Technology, before the INTERNATIONAL MANAGEMENT CONGRESS.

IN recent years much discussion has centered around technological unemployment,—the loss of work due to obsolescence of an industry or use of machines to replace workmen or increase their per capita production. Are machines the genii which spring from the Aladdin's Lamp of Science to supply every need and desire of man, or are they Frankenstein monsters which will destroy man who created them? Startling examples of both viewpoints can be given. I shall only try to summarize the situation as I see it, as follows:

If we look at industry as a whole, without inquiring into particular cases, we would conclude that technological unemployment is a myth, because statistics show no decrease in the fraction

DIGEST

of our population gainfully employed during the last few generations in which machine production has become important. This is because technology has created so many new industries and has so greatly increased the market for many commodities by lowering the cost of production to make a price within reach of large masses of purchasers.

In individual instances, however, technological unemployment may be a very serious social problem,—as in a town whose mill has had to shut down, or in a craft which has been superseded by a new art. Here the fact that technological unemployment does not exist as measured by overall statistics is of small comfort to the families whose wage earners have lost their jobs.

I believe that two principles should guide us in these matters. Improved products and services should be made available to the public, and not forcibly estopped to protect any entrenched business or any group of workers who would be thrown out of jobs by the change, but with this proviso: the change should be made in a manner to afford generous protection to the workers affected by it. This is a definite job for management, in which efficiency should be tempered by humane considerations (an attitude which, I believe, makes for real efficiency in the long run).

Various methods are available for reducing the shock of technological changes, such as retraining workers, gradual changeover to fit the normal turn-over of personnel (as followed by the telephone companies in introducing automatic switching), pensions and unemployment insurance, efficient employment agencies for labor exchange, cooperation between industries of a community to synchronize lay-offs in one company with new employment in another, etc.

In any case, I believe that the fundamental criterion for good management in this matter, as in every other, is that the predominant motive must not be quick profits, but best ultimate service of the public. This is a topic in itself which deserves much elaboration, but I must leave it to your own thoughts for interpretation and application.

Selling Is Telling

THERE is no time in the conduct of a business when we can drift. We must incessantly drive ahead. There is no mystery about moving goods. Selling is

simply telling about your product in simple, understandable language, in terms of the prospect's needs and desires, and in such a way that he wants your product more than the money you ask in exchange.—FREDERICK W. NICHOL, Vice-president and General Manager, International Business Machines Corporation.

I.S.P.U.

THE record of management not only shows no exorbitant profits on the whole, but actually shows extreme and fatal losses which in many cases might be laid directly to mismanagement. The

profits are so small, as a rule, that I am surprised the stockholders do not form a union to demand a greater return. Perhaps they need only a John L. Lewis to arouse them.

In any case, a lucrative reward awaits some enterprising person as president of the International Stockholders Protective Union. The I.S.P.U. might serve a useful purpose by presenting comprehensive demands for a greater share of the income of business to offset insistent demands of other groups.

No, management is not guilty of exorbitant profits.—A. W. ROBERTSON, Chairman, Westinghouse Electric & Manufacturing Company.



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- Throughout the Dominion, the Bank of Montreal operates through more than 500 branches, each of which is in close contact with the community it serves.
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HEAD OFFICE — MONTREAL

Management's Creed

LEWIS H. BROWN, President, Johns-Manville Corporation, before the INTERNATIONAL MANAGEMENT CONGRESS.

WE whose responsibility it is to supply the needs of the public for goods and services and who recognize our obligations to stockholders and employees, believe:

That we should constantly seek to provide better values at lower costs so that more of our people can enjoy more of the world's goods.

That we should strive to develop the efficiency of industry so as to earn a fair return for the investing public and provide the highest possible reward for the productivity of labor.

That we should stimulate the genius of science and utilize the methods of research to improve old products and create new ones so as to consistently provide new fields of employment for the present and the coming generations.

That management should encourage fair trade practices in business which, whether effected by competition or co-operation, will be so shaped as to be for

the best interest of our customers and of society as a whole.

That it is management's duty to be alert to its own shortcomings, to the need for improvement, and to new requirements of society, while always recognizing the responsibility of its trusteeship.

That business in this country has never been what it could be and never what it yet will be.

That business, labor, government and agriculture, working hand in hand, can provide jobs and the opportunity for all to work for security without loss of our liberty and rights as free men.

That is my suggestion of a common meeting ground not only for management and labor, but for all of us.

What we need, more than anything else today, is to affirm those principles upon which government and business, labor and agriculture can work together in the solution of a common problem. Once we are agreed upon our true objectives as a nation, unity of action will bring lasting business recovery.

Without business recovery, based upon sound national policies, there can be no stability, no security—nor can liberty itself be long preserved.



Personal Loan Insurance

Increase your Personal Loan volume through our Personal Loan Life Insurance which *operates without cost to the bank*—and pays the note in the event of the borrower's death. We have always specialized exclusively in providing Personal Loan Insurance for Banks. Complete information upon request.

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Examinations
of
Banks and Trust Companies
for
Directors Committees

CHICAGO

NEW YORK

WASHINGTON

Trust Department Cost Analysis

ROBERTSON GRISWOLD, President, Trust Division, American Bankers Association, and Vice-president, Maryland Trust Company, Baltimore, before the MID-CONTINENT TRUST CONFERENCE.

TRUST institutions throughout the country are awakening to the value of having cost analyses made of their trust departments.

Where these analyses have been completed, they show in far too many cases that the personal trust end of the department was in the red. As the expense side of the ledger was not usually susceptible of reduction because of costs resulting from economic conditions and governmental requirements, and thus beyond control, the necessity for increased compensation became of paramount importance if these trust departments were to continue in existence.

However, in many communities, the fees for trust services had not been changed in generations, and it was not simply a matter of announcing that you had revised your rates upward. The courts, the legislature and the public had a say in the question, and unless

Announcing the New...

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*** VARIABLE CAPACITY MECHANICAL PRESSURE ATOMIZING BURNER**

A development in the burning of liquid fuel which provides:

1. UNLIMITED FIRING RANGE—

without change of burner tips
without change in oil delivery pressure
without change in angle of spray
without loss of atomizing efficiency

2. AUTOMATIC CONTROL—

without loss of efficiency over all firing ranges

STEAM requirements can be *instantly* and *automatically* followed, under all conditions, with maximum speed, economy and accuracy.

The Todd Variable Capacity Burner utilizes the basic principles of standard-type, mechanical pressure atomizing burners but is distinguished by its exclusive "varying range" feature. It saves fuel—reduces maintenance charges—increases plant efficiency. It has been subjected to the most rigid and exhaustive

laboratory tests, and many installations are now in satisfactory use.

Although the new Todd Variable Capacity Burner is a combustion engineering triumph, it is but one of many Todd achievements. Todd service is world-famous and comprises the design and manufacture of the correct size and type of combustion equipment for every marine, commercial or industrial need. If you have a combustion problem—look to Todd for the answer!

* Patent applied for

TODD COMBUSTION EQUIPMENT, Inc.

Division of Todd Shipyards Corporation



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LONDON

November 1938

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one's claims could be substantiated by reliable data and figures there would be no justification for such action in the eyes of anyone.

The problem has been approached in at least two cities by a cost analysis of every trust department in the city, under the supervision of a central auditing authority which conducted a strictly uniform examination and through which all figures were checked and cleared. Assuming that an investigation of this nature will disclose that the personal trust business in a given community is being carried on at a loss to every bank located therein, it would seem rea-

sonable to assume that the evidence thus produced would be sufficiently convincing to persuade the courts or the legislature of the fairness of granting reasonable relief.

What You Are

THE things you do every day will crop out and show to the public what you are, regardless of what other things you may do and say in your public relations program.—BAYARD S. COLGATE, President, Colgate Palmolive Peet Company.



CREATING NEW VALUES

in modern

correspondent relationships

A growing number of out-of-town bankers find satisfaction in the experienced correspondent service offered by The Northern Trust Company in Chicago. They enjoy the discussions of mutual problems which frequently accompany their visits to this institution. They often benefit by the extensive fund of business information which is at their disposal here. Other bankers who seek a Chicago correspondent are invited to make inquiries.

THE NORTHERN TRUST COMPANY

50 SOUTH LA SALLE STREET, CHICAGO
Member Federal Deposit Insurance Corporation

Good Commercial Loans

F. A. GERDING, President, Illinois Bankers Association, and President, First National Bank, Ottawa, before ILLINOIS GROUP MEETINGS.

THE new ideas which are being sprung on us almost every day, new types of competition, new power and authority in supervising departments, change in styles of earning assets, all these and many many more require our constant vigilance and our continued cooperative thought and action. We are being criticized for doing those things which in the past have been considered proper for us to do and for not doing those things which, at the same time, have been considered wrong for us as banks to do. One authority will insist upon us liberalizing our loaning policy; another will remind us that we are the trustees for our depositors and should take no risks which would jeopardize our depositors' funds entrusted to us.

The banks of Illinois are alert as their interests. They realize that good commercial loans always have been a source of their greatest income and that if these loans were available and of proper type and would meet the criticism of the supervising departments, we would be making them to the fullest extent and we are making them to the fullest extent at the present time. Maybe we are not making capital loans—I hope not—because an institution whose liabilities are payable on demand may make capital loans only if the loans themselves have a market at par at all times. Capital loans have no such market and we know it. Small business, while insisting upon a proper consideration of its needs, has not placed the blame for lack of capital loans upon local banks. That blame is placed upon us more for political effect than for anything else.

It is now simple and popular to blame the banks for almost everything. Somebody must be blamed and that somebody is banks. As a matter of fact, recent laws, rules and regulations of different kinds and descriptions have taken away from the modest size business the agencies through which capital has been furnished in the past but I can assure Mr. Jesse Jones or any other public authority who criticizes the banks for what they are doing or for what they are not doing that the banks in Illinois are not losing any opportunity to make income out of interest. They welcome every application for a loan which they can take, but they also

I appreciate their responsibilities as trustees for their depositors' funds.

Without any reservation, I believe that I can truthfully say that no responsible or worthy borrower who might apply for a loan for any sound venture and who can assure the safe return of the borrowed funds within a reasonable length of time, will be refused by any banker. We all want to assist legitimate business in our respective communities. We all know our success depends on the success of all others in our communities.

We all know our greatest past income came from local loans. We are in business to make a profit. Why would we foolishly turn down an opportunity for increased income through local loans? We hope the public realizes our position, and I am sure they do.

A Revolution in Trust Administration

F. CYRIL JAMES, Professor of Economics, Wharton School of Commerce and Finance, before the A.B.A. MID-CONTINENT TRUST CONFERENCE.

ALL the traditional principles of trust investment are vitiated by the circumstances in which we find ourselves. The pleasant certainty of the late 19th century seems to have vanished in the 20th, and we are compelled to revise our ideas. Only by means of a return to more flexible principles of trust administration is it possible to meet such a situation as that which confronts us.

In the long run, if trustees are to perform their fiduciary functions satisfactorily, it is apparent that they must again undertake untrammelled discretionary management of the estate committed to their charge. Investments in stocks and real estate—the only possible hedges against long-run inflation—must become as important as, if not more important than, investments in bonds and mortgages. The trustee, in fact, can only succeed in his task if he is willing to become a managing entrepreneur, since, when the monetary system of a country shows signs of weakening, we are forced back to the underlying realities of production and distribution.

Such a change in the principles of trusteeship would naturally involve important alterations in current practice. On the legal side, it is apparent that the regulations imposed on trustees by courts and legislatures must be liberalized along lines that will allow greater

freedom of action in the selection of desirable investments, while trustees must be encouraged to refrain from rigid instructions in wills and other deeds of trust.

It is clear that the routine process of trust administration must be altered just as much as legal regulations are liberalized. Wider fields of choice in the selection of trust investments necessitate the acquisition by the trustee of detailed and accurate knowledge regarding types of security and fields of economic activity that have hitherto been largely outside his field of opera-

tions. Moreover, since skilful administration in the light of changing circumstances requires constant study and frequent reconstruction of the portfolio, it is obvious that this knowledge must be kept up to date. Such a revolution in trust administration must inevitably tend to increase the costs of handling the estate. But in view of the fact that successful administration along the lines suggested will tend to augment the income received under the trust, as well as preserve the principal from loss, it is not unreasonable to suggest that the standard scale of fees (fixed on the basis of a

Shawmut is Boston . . .

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much less comprehensive service) should be raised to a remunerative level. Indeed, the experience of a few individual trustees and successful investment counsellors suggests that the public is prepared to pay very much more than the standard charges now imposed by trust companies, provided that it can obtain the comprehensive service that is necessary to enable it to meet the changing conditions of economics and finance.

The New Task

THERE has been too little frankness, too little information, too little backing up on the inside of what on the outside we say and do. Good management runs a sound bank with a carefully selected and educated personnel and establishes constructive public relations by downright ability, sound policies, and frank and helpful publicity. Bankers

have, in fact, done a good job and the new task is to block present economic unrest and criticism, and to educate the public that sound banking is essential to progress.—J. J. ANTON, Vice-president, First National Bank, Chicago.

If We Had More Savings Accounts

WHEADON M. GRANT, Trustee, Bank for Savings & Trusts, Birmingham, Alabama, before the MASSACHUSETTS SAVINGS BANKS ASSOCIATION.

TODAY, whether we like it or not, we must think nationally. We savings bankers can claim credit for many good things, but even our best friends couldn't deny that on the whole we have been a parochially minded lot. For some of us

the world ends a few miles beyond the city limits of our town, others of us can't see to the state line. For self-preservation, if nothing else, all of us must look at the nation as a whole.

After more than a century of existence, savings banking has not even remotely touched more than 25 per cent of the American people, and an even less percentage of the area of this country. Only 21 states have savings banks of any sort, and several of these states have only one, yet every day in every community in every state countless people are saving part of their wages or incomes.

These people can't keep these savings in their pockets. They must use whatever depositories are available to them. In a state like Massachusetts, they use the mutual savings banks, but three-quarters of the American people have never had knowledge of, or contact with, a genuine savings bank. Most savings bankers, however solicitous they may be for the welfare of their local communities, have been as indifferent to this three-quarters of their fellow citizens as though they were inhabitants of Central Africa. Now the results of this indifference are coming home to roost in every savings bank in America.

Have you ever stopped to think of what the fact that three-fourths of America lacks savings banks means to a typical Massachusetts savings bank? First, examine the data of the Census Bureau, and you will observe a wide variation in the per capita savings, income, wealth, and purchasing power of the several states. You will next observe that all these figures are the highest for those states where savings banks are most numerous in spite of the fact that some of those states are below the average in agricultural possibilities and natural resources.

Next get out your legal list of municipal bonds and compare it with the above figures, and note how few bonds there are on that list from those areas where there are no savings banks: compare this with the number of bonds that are not on your legal list because of lack of per capita wealth to make them sound.

In times like these your portfolio of local mortgages is something to worry over.

You realize that, fundamentally, the thing that is affecting your mortgages is the lack of local industrial activity which depresses the entire community, but when you visit your local manufacturers and examine their trade association statistics you note that the areas that lack per capita savings and savings banks are those that show the



Our complete banking facilities insure out-of-town banks and bankers prompt, efficient and economical handling of accounts in Chicago—we invite you to use our facilities.

CITY NATIONAL BANK

AND TRUST COMPANY of Chicago

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THE BANKETTE COMPANY, INC.

Serving Banks Exclusively Since 1925

136 FEDERAL STREET BOSTON, MASS.

greatest percentage decline in orders for the products of your local plants.

With these figures fresh in your mind, you go to lunch with a fellow savings banker and while you are cussing and discussing the New Deal it may occur to you that every financially unsound political act that during your lifetime has tended to break down the standards of individual integrity and political morality, without which no genuine prosperity can exist, to make your problem harder and to jeopardize the safety of your investments, has had its origin and main support in those regions where per capita savings are low and savings banks unknown.

Nothing on earth will make a conservative out of a radical as efficiently as a safe savings account, and nothing will so completely make a radical out of a conservative as for him to lose his savings due to the failure of an institution to which he has entrusted them.

At this point you are justified in saying to yourself: If the rest of America had a backlog of even half the per capita savings of Massachusetts, this and other depressions would be less severe. With more per capita wealth there would be many more sound municipal bonds on my legal list for me to choose from. When times get bad the rest of the country wouldn't curtail their purchases from our local factories so sharply, not so many of my depositors would have to draw on their savings due to being laid off, business activity in my town wouldn't decline to the point of jeopardizing my mortgages, and my rail and utility bonds of companies located in these areas wouldn't fluctuate in prices to the degree they do now because the operations of these companies would be more stable. If more people in the rest of the country had real savings accounts, political demagogues would have less support for their unsound measures that hurt my bank.

Breakage

WE have no techniques for dealing with social aspects. Therefore, we have concentrated on the things we understand—the economic aims of business. The last decade has proved that the two things, the economic and the social, cannot be separated.

Automobile manufacturers know what to do instantly when the springs of their cars do not hold up. But there is breakage going on all the time in the social structure, and business men don't know it.—Professor PHILIP CABOT, Graduate School of Business Administration, Harvard University.

A Period of Estate Shrinkage

RONALD M. KIMBALL, President, Corporate Fiduciaries Association of Chicago, and Secretary, Continental Illinois National Bank and Trust Company of Chicago, before the A.B.A. MID-CONTINENT TRUST CONFERENCE.

IN taking stock of ourselves—of our habitual way of thinking—it may be worth recalling that most of us were trained in an era of estate accumulation

and conservation. But for some time we have been carrying on in a period of estate shrinkage. Lower income from bonds, reduced dividends, higher taxes beset trust men from without, while increasing costs, caused partly by conditions over which we have no control, beset us from within. While continuing to be conservative, in a trust sense, we may have to find new ways to preserve the estates entrusted to us and, certainly, we must find out how to render useful service with commensurate return to our organizations.

In certain industrial fields, the road of progress is felt to lie in better product at

Save a day with our NIGHT TRANSIT!



THIS institution is one of the nation's few where transit items are not only received, but are actually dispatched at night, thereby saving a full business day in such transactions.

Service is expedited by direct sendings to more than 200 correspondents in the Midwest alone, and by the full

employment of Cleveland's frequent transcontinental rail and air service throughout the day and night. This faster presentation minimizes float, and the risk on return items as well.

Write for a detailed schedule of the savings in time possible through our transit service.

THE NATIONAL CITY BANK OF CLEVELAND

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

The Riggs National Bank

OF WASHINGTON, D. C.

welcomes the opportunity to be of service to
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Complete Banking and Trust Service

ROBERT V. FLEMING

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Vice President and Cashier

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Member Federal Deposit Insurance Corporation

Statement of Ownership

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACTS OF CONGRESS OF AUGUST 24, 1912, AND MARCH 3, 1933, OF BANKING, published monthly at New York, N. Y., for Oct. 1, 1938.

I, State of New York, county of New York, ss. Before me, a Notary in and for the State and county aforesaid, personally appeared William R. Kuhns, who, having been duly sworn according to law, deposes and says that he is the Editor of BANKING and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, as amended by the Act of March 3, 1933, embodied in section 537, Postal Laws and Regulations, printed on the reverse of this form, to wit:

¶1. That the names and addresses of the publisher, editor, managing editor, and business managers are: Publisher, Harold Stonier, 22 East 40th Street, New York, N. Y.; Editor, William R. Kuhns, 22 East 40th Street, New York, N. Y.; Managing Editor, None; Business Managers, None.

¶2. That the owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding one per cent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a firm, company, or other unincorporated concern, its name and address, as well as those of each individual member, must be given.) The American Bankers Association, 22 East 40th Street, New York, N. Y. (A voluntary unincorporated association of banks: Orval W. Adams, Utah State National Bank, Salt Lake City, Utah, President, and Harold Stonier, 22 East 40th Street, New York, N. Y., Executive Manager.)

¶3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: None.

¶4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

¶5. That the average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the twelve months preceding the date shown above is.—(This information is required from daily publications only.)

WILLIAM R. KUHNS,
Editor

I Sworn to and subscribed before me this 26th day of September, 1938.

Elizabeth Rautanen, Notary Public, Bronx County, New York Co. Clk's No. 296, Reg. No. 0R196; Bronx Co. Clk's No. 20, Reg. No. 39R40. Certificate filed in Westchester County.

(My appointment expires March 30, 1940.)

lower price, through mass production. I do not know whether, or to what extent, that idea is applicable in our business, which is one of personal service rather than machines and assembly lines. In the past, I have gone so far as to advocate a new method of charging fees in meeting the problem of adequate compensation. But I do know that in considering this and other problems, no one trust officer, no one trust company can accomplish much. It is a common task, calling for common effort of an uncommon kind. Fact finding, analysis, and exchange of views may show the way.

Burning Down the House

ALBERT L. HOPKINS, Attorney, Chicago, before the MID-CONTINENT TRUST CONFERENCE.

AMENDMENTS of the Federal taxing structure threaten to destroy the usefulness of trusts. There has been scarcely a revenue act since 1916 which has not made some amendments affecting trusts. With the exception of personal holding companies perhaps no institution has been attacked so persistently by the Bureau of Internal Revenue as trusts. The viewpoint of the Treasury officials seems to be that every institution must be conducted in such a manner as to produce the greatest revenue to the Government. Usefulness of the institution is disregarded in the zeal to extract the last dollar, with the result that the tendency is to burn down the house in order to roast the pig.

Today the trust is subject to attack unless it is crystallized and unchangeable. No man can foresee the future with any certainty, so that an unchangeable trust may become very unfortunate. It is only ordinary wisdom that there be some power to modify the trust to meet changing future conditions.

From the viewpoint of income taxes, trusts for members of one's family, regardless of a condition of support or of discharging a legal liability, and multiple trusts may be subject to legislative attack.

The tax pressure against the use of such trusts is of grave concern to trust companies and, more broadly speaking, endangers an institution of great social value. The very taxes which gave such impetus to the expansion of trust business within the last 20 years are now threatening the usefulness and effectiveness of all trusts.

The People Wait

THOMAS C. BOUSHALL, President, The Morris Plan Bank of Virginia, before the NEWPORT NEWS ROTARY CLUB.

WERE the true temper of our people given opportunity of expression today, there is little doubt that it would be an expression solely of impatience that private enterprise has not fully sensed a number of inescapable realities:

First, the accomplished fact of an irrevocable revolution that has been crystallized into state and Federal statute; second, that beyond these limits the people do not wish to go; third, that hastily as these far-reaching statutes have been spread upon the records, there must necessarily and logically be a long period of adjustment, modification, and digestion, to the end that the social gains made in the name of the people may be fully realized upon through implementing them in a return to normal business activity in keeping with the needs and desires of the consuming public.

The fourth is that the people wait upon a leader and a party that will no longer seek to exploit for selfish reasons the flux of opinion that was at flood stage from 1932 through 1936 but seeks to come to the rescue of the 12 million or more unemployed people who await an opportunity to produce and consume as normal, self-supporting, self-respecting citizens under the new order; that seeks to come to the rescue of the millions of owners of securities, of life insurance policies, of savings bank pass-books and of mortgaged homes, and by putting America back to work with swiftness and assurance, will guarantee the continuing and rising value of these jeopardized holdings under an administration that operates at an annual deficit of billions of dollars and threatens the worth and stability of every asset expressed in dollar values or in human values.

A realistic appraisal of the Roosevelt revolution; a careful analysis from an historical point of view of the spirit and ideals of the American Republic and a majority of the American people; a critical examination of the resistance of the people to any attack upon our constitutional form of government as set up by our founding fathers, will convince private enterprise that America has been saved by its spirit and its ideals as a free democracy under an unchanged constitutional form of government. A realistic appraisal will show that through the operation of the will of a Divine Providence, America has had its revolution.

It would be indeed an ungrateful people who would not set to work to implement fully a social and economic order under such happy skies.

The people but await an expression from private enterprise that it accepts the present order; that private enterprise will not support or seek an administration that would reverse the acts of the revolution; that it will seek under a wise and restrained administration to adjust and make workable the hastily written laws that creak and groan with lumbering and blundering provisions to effect the expressed will of the people; that private enterprise must be offered a reasonable hope of profit to entice capital to come out of hiding and to inspire management to coordinate money and labor into a continuing program of conversion of America's resources into usable wealth.

If private enterprise will find a spokesman and a party for such expression the people will take such a program to their bosoms as earnestly and as overwhelmingly as they once grasped the bright garments of the New Deal.



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Figures such as these clearly indicate that the Fidelity idea has a great and steadily growing appeal to the thrif-minded.

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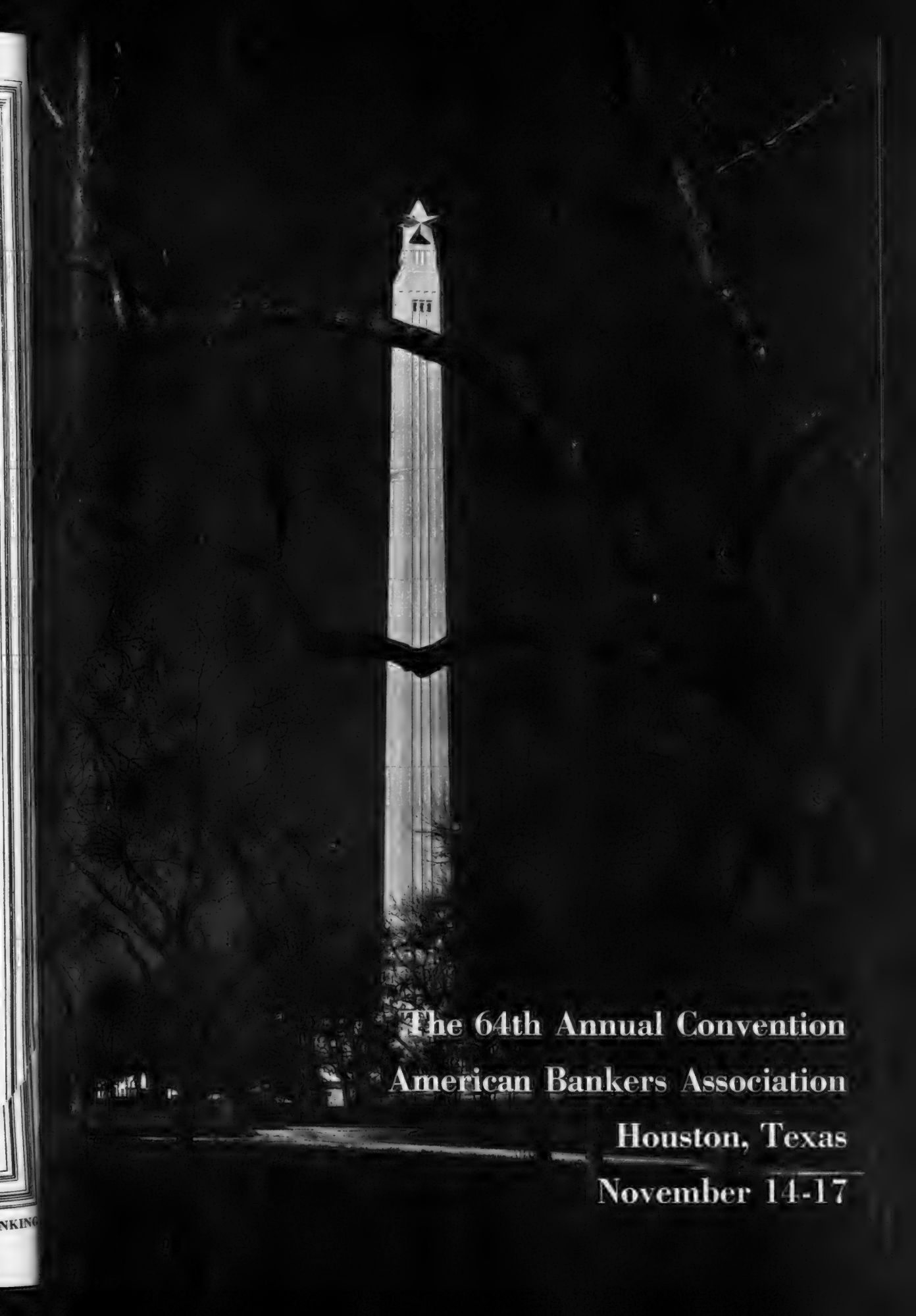
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**The 64th Annual Convention
American Bankers Association**

**Houston, Texas
November 14-17**

We join our city and state in extending to all convention delegates a truly warm Southern welcome

IT IS A DISTINCT HONOR and privilege for Houston to be host to our fellow members of the American Bankers Association. We hope, if this is your first visit here, that you'll find our city stimulating, encouraging and much to your liking. If you've been here before, may you find many happy signs of progress and development. In either event you are cordially invited to visit this bank and call upon us for any service which will help make your visit a thoroughly enjoyable experience.



MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Bank Customer "Town Meetings"

IN this section of its yearbook issue, **BANKING** presents a preview of the 64th Annual Convention of the American Bankers Association and a review of Association activities and services.

Meeting November 14-17 in attractive Houston, host on behalf of the great Southwest, the membership has an opportunity not only to participate in the Convention program of speeches, roundtables and social events, but also, as President Orval W. Adams pointed out in his letter to the banks, to "take an active part" in the Association's deliberations as it moves into another year.

In retrospect, the outstanding Association achievement of the year that ends at Houston has been the public meetings program initiated by President Adams. This educational project, designed for bank customers, was accompanied by an expansion of educational work among bankers them-

selves, particularly at the numerous conferences arranged cooperatively by state associations and state universities. This latter activity, which has reached the proportions of a nationwide movement, has been in addition, of course, to the regional and divisional gatherings of the American Bankers Association and to the increasingly influential work of the Graduate School of Banking.

Three customer "town meetings" were held in connection with Association-sponsored regional conferences at Des Moines, Indianapolis and Oklahoma City. Subsequently, several similar meetings found places on the programs of state associations and local groups.

Under many of its administrations, the Association has sought to extend and improve banking service by organizing sectional conferences at which bankers discuss, explain and compare notes on the methods and theories of their profes-

A public meeting held in Salt Lake City, Utah, on June 4, 1938. It was attended by 20,000 people, who filled the huge room shown below and also an overflow auditorium



sion. These meetings have been family affairs, largely technical sessions at which bankers talked shop among themselves, taking home new ideas and new friendships. The conferences have been popular and well attended.

Mr. Adams came to the presidency of the Association with a new idea about the meetings and their educational value.

"They can be expanded," he said in his inaugural remarks at the Boston Convention, "with little additional cost to provide means of educating our depositors. At the conclusion of a conference a public meeting could be held to which the banks in the town where the conference met would invite their clients. A speaker understanding our problems, particularly as they affect the depositor, should address such a meeting. I am confident that much misunderstanding could be avoided and much valuable information disseminated were such meetings properly planned and conducted."

The plan is simple. Banks in conference cities send printed invitations to customers inviting them to attend an informal gathering the purpose of which is to help explain banking and its services. A prominent speaker is announced and musical programs are added.

The chief address at the Des Moines and Oklahoma City conferences was by Dr. Adam S. Bennion, assistant to the president of the Utah Power and Light Company. Merle Thorpe, editor of *Nation's Business*, spoke at Indianapolis.

The Utah Bankers Association, adopting the idea early in the Summer, went a step further and billed Deanna Durbin, the movie star, in addition to Mr. Thorpe, for the public meeting that closed its annual convention in Salt Lake City. Twenty thousand persons jammed the Tabernacle for the program, a new attendance record for a banking function.

Incidentally, the public meetings have made good newspaper copy and have been extensively reported.



Bank depositors in the Carroll College gymnasium, Waukesha, Wisconsin



A depositors' meeting in Lawrence College chapel, Appleton, Wisconsin

Public meeting at the Oklahoma City Regional Conference last March



The Association Year

1937

- October 11-14 Sixty-third Annual Convention of the American Bankers Association held in Boston. Following officers elected: President, Orval W. Adams, executive vice-president, Utah State National Bank, Salt Lake City; First Vice-president, Philip A. Benson, president, Dime Savings Bank of Brooklyn; Second Vice-president, Robert M. Hanes, president, Wachovia Bank and Trust Company, Winston-Salem, N. C.; Treasurer, M. H. Malott, president, Citizens Bank, Abilene, Kansas.
- Division Presidents chosen as follows: National Bank Division, Russell G. Smith, vice-president and cashier, Bank of America, N.T. & S.A., San Francisco; Savings Division, Henry S. Sherman, president, Society for Savings, Cleveland; State Bank Division, H. A. Brinkman, vice-president, Harris Trust and Savings Bank, Chicago; Trust Division, Robertson Griswold, vice-president, Maryland Trust Company, Baltimore; State Secretaries Section, W. Gordon Brown, executive manager, New York State Bankers Association.
- Dr. Harold Stonier, Educational Director of the Association, appointed Executive Manager.
- November 1 Formation of A.B.A. Research Council announced; Gurden Edwards, director.
- November 8 Following staff appointments announced by Executive Manager Stonier: Secretary of the Association, Richard W. Hill; Senior Deputy Manager, Frank W. Simmonds; Assistant Secretary, American Institute of Banking, Floyd W. Larson, formerly executive secretary, Minneapolis chapter; director of the news bureau, Lester Gibson, formerly with the *American Banker*; Assistant Educational Director, American Institute of Banking, William A. Irwin, formerly head of the economics department at Washburn College, Topeka.
- November 15 The Association announces plans for a series of radio programs for banks.
First issue of *THE COUNCIL*, a periodical for members of the official family.
- November 26 The Washington office of the Association is enlarged to provide broader service to members; General Counsel D. J. Needham in charge.
Headquarters of National Bank Division, under Deputy Manager Edgar E. Mountjoy, moved to New York from Washington.
- November 29 Leonard P. Ayres, vice-president, Cleveland Trust Company, and Chairman, Economic Policy Commission, becomes chairman of the recently formed Research Council.
- December 2 Administrative Committee of the Association meets in New York.
- December 18 Public Relations Council, under chairmanship of Dr. Stonier, is formed.
- December 30 Savings Division's annual survey of savings deposits made public.
Bank Management Commission announces completion and adoption of "Statement of Principles and Standards of Investments for Commercial Banks."

1938

- January 8 Research Council completes a study of methods of testing public opinion.
- January 31 Seventh annual interest rates survey published by Bank Management Commission.

November 1938

- February 2 Russell G. Smith, President, National Bank Division, giving results of a survey regarding maintenance of Comptroller's office, says banks are "almost unanimous" in favoring its retention.
- February 10-11 Regional banking conference at Des Moines, with educational displays of bank equipment, closes with first of the public meetings planned by President Adams; Dr. Adam S. Bennion, assistant to president, Utah Power and Light Company, speaks.
- February 15 17 Nineteenth annual Mid-Winter Trust Conference in New York, under auspices of the Trust Division.
- February 25 Research Council publishes study of state banking boards.
- March 3-4 Annual Spring Savings Conference in New York, under auspices of the Savings Division.
- March 17-18 Indianapolis regional conference; Merle Thorpe, editor *Nation's Business*, speaks at public meeting.
- March 24-25 Oklahoma City regional conference; Dr. Adam S. Bennion is speaker at public meeting.
- March 31 Agricultural Commission reports that Oklahoma, Tennessee, Texas and Utah have reached the 1,000 point goal in farmer-banker activity in 1937, making 13 states so rated.
- April 2 Class of 1937, Graduate School of Banking, holds a reunion in New York.
- April 11-13 Spring Meeting, Executive Council, American Bankers Association, at Edgewater Park, Mississippi.
- May 1 Personal loan survey completed by Bank Management Commission and Savings Division.
- May 4 President Adams issues a statement commenting on Jesse Jones' letter to banks relative to lending.
- June 6-10 American Institute of Banking convention held at Louisville; elects Milton F. Barlow, cashier, National Citizens Bank, Mankato, Minnesota, to the presidency.
- June 20 Fourth resident session, Graduate School of Banking, opens at Rutgers University with 623 students registered.
- July 1 Second commencement exercises of Graduate School of Banking held; class numbers 149.
BANKING begins its 31st year.
- July 7 Research Council announces a series of studies on bank earnings power.
- July 18 Committee on Federal Legislation publishes an analysis of bank legislation enacted or unenacted by the 75th Congress.
- July 20 President Adams replies to Jesse Jones of the R.F.C. regarding bank lending.
- August 15 State Bank Division Committee on State Bank Research publishes annual surveys of earnings and expenses, resources and liabilities.
- September 29-30 Mid-Continent Trust Conference in Chicago under Trust Division auspices.
- October 6 Administrative Committee meets in New York.
- October 19-21 Sixteenth Regional Trust Conference, Pacific Coast and Rocky Mountain States, in San Francisco under auspices of the Trust Division.

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Association Officers 1937-1938

Left, ORVAL W. ADAMS, President of the American Bankers Association and executive vice-president, Utah State National Bank, Salt Lake City, Utah

RUSSELL G. SMITH, President, National Bank Division, and vice-president and cashier, Bank of America, San Francisco



HENRY S. SHERMAN, President, Savings Division, and president, Society for Savings, Cleveland, Ohio



H. A. BRINKMAN, President, State Bank Division, and vice-president, Harris Trust and Savings Bank, Chicago





PHILIP A. BENSON, First Vice-president of the Association and president, Dime Savings Bank of Brooklyn, N. Y.



ROBERT M. HANES, Second Vice-president of the Association and president, Wachovia Bank and Trust Co., Winston-Salem, N. C.



M. H. MALOTT, Treasurer of the Association and president of the Citizens Bank, Abilene, Kansas

ROBERTSON GRISWOLD, President, Trust Division, and vice-president, Maryland Trust Company, Baltimore, Maryland



W. GORDON BROWN, President, State Secretaries Section, and Executive Manager, New York State Bankers Association, New York



MILTON F. BARLOW, President, American Institute of Banking, and cashier, The National Citizens Bank, Mankato, Minnesota





Boston, 1937 Convention city



One of this year's regional meetings



Ex-presidents at the Executive Council Meeting



Above, at last Summer's Graduate School. Below, Houston



For the Houston Bankers

Committees for the 1938 Convention

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 JOHN DREAPER, *Vice-president* South Texas Commercial National Bank
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 P. B. TIMPSON, *President* Houston Land & Trust Company

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 C. W. HAMILTON, *Assistant Trust Officer* National Bank of Commerce

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BANKING

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P. C. REHRAUER, <i>Cashier</i>	National Bank of Commerce
NORMAN STERLING, <i>Vice-president</i>	Guardian Trust Company

Conventions and Presidents Elected

1875—Saratoga Springs, New York.....	Hon. Charles B. Hall
1876—Philadelphia, Pennsylvania.....	Hon. Charles B. Hall
1877—New York City.....	Hon. Charles B. Hall
1878—Saratoga Springs, New York.....	Alex Mitchell
1879—Saratoga Springs, New York.....	Alex Mitchell
1880—Saratoga Springs, New York.....	Alex Mitchell
1881—Niagara Falls, New York.....	George S. Coe
1882—Saratoga Springs, New York.....	George S. Coe
1883—Louisville, Kentucky.....	Lyman J. Gage
1884—Saratoga Springs, New York.....	Lyman J. Gage
1885—Chicago, Illinois.....	Lyman J. Gage
1886—Boston, Massachusetts.....	Logan C. Murray
1887—Pittsburgh, Pennsylvania.....	Logan C. Murray
1888—Cincinnati, Ohio.....	Charles Parsons
1889—Kansas City, Missouri.....	Charles Parsons
1890—Saratoga Springs, New York.....	Morton McMichael
1891—New Orleans, Louisiana.....	Morton McMichael
1892—San Francisco, California.....	William H. Rhawn
1893—Chicago, Illinois.....	M. M. White
1894—Baltimore, Maryland.....	John J. P. Odell
1895—Atlanta, Georgia.....	Eugene H. Pullen
1896—St. Louis, Missouri.....	Robert J. Lowry
1897—Detroit, Michigan.....	Joseph C. Hendrix
1898—Denver, Colorado.....	George H. Russell
1899—Cleveland, Ohio.....	Walker Hill
1900—Richmond, Virginia.....	Alvah Trowbridge
1901—Milwaukee, Wisconsin.....	Myron T. Herrick
1902—New Orleans, Louisiana.....	Caldwell Hardy
1903—San Francisco, California.....	Caldwell Hardy
1904—New York City.....	E. F. Swinney
1905—Washington, D. C.....	John L. Hamilton
1906—St. Louis, Missouri.....	G. S. Whitson
1907—Atlantic City, New Jersey.....	J. D. Powers
1908—Denver, Colorado.....	George M. Reynolds
1909—Chicago, Illinois.....	Lewis E. Pierson
1910—Los Angeles, California.....	F. O. Watts
1911—New Orleans, Louisiana.....	William Livingstone
1912—Detroit, Michigan.....	Charles H. Hultig
1913—Boston, Massachusetts.....	Arthur Reynolds
1914—Richmond, Virginia.....	William A. Law
1915—Seattle, Washington.....	James K. Lynch
1916—Kansas City, Missouri.....	P. W. Goebel
1917—Atlantic City, New Jersey.....	Charles A. Hinshel
1918—Chicago, Illinois.....	Robert F. Maddox
1919—St. Louis, Missouri.....	Richard S. Hawes
1920—Washington, D. C.....	John S. Drum
1921—Los Angeles, California.....	Thomas B. McAdams
1922—New York City.....	John H. Puelicher
1923—Atlantic City, New Jersey.....	Walter W. Head
1924—Chicago, Illinois.....	William E. Knox
1925—Atlantic City, New Jersey.....	Oscar Wells
1926—Los Angeles, California.....	Melvin A. Traylor
1927—Houston, Texas.....	Thomas R. Preston
1928—Philadelphia, Pennsylvania.....	Craig B. Haslewood
1929—San Francisco, California.....	John G. Lonsdale
1930—Cleveland, Ohio.....	Rome C. Stephenson
1931—Atlantic City, New Jersey.....	Harry J. Haas
1932—Los Angeles, California.....	Francis H. Sisson
1933—Chicago, Illinois.....	Francis Marion Law
1934—Washington, D. C.....	Rudolf S. Hecht
1935—New Orleans, Louisiana.....	Robert V. Fleming
1936—San Francisco, California.....	Tom K. Smith
1937—Boston, Massachusetts.....	Orval W. Adams

The Convention City



HOUSTON YESTERDAY

This was Main Street, Houston, in 1880, 40 years before the city began its decade of most rapid growth. The population almost doubled between 1920 and 1930 and the city now has more than 400,000 residents. Houston is the world's greatest spot cotton market. The Ship Channel has brought Houston high rank as a port

The Museum of Fine Arts in Herrmann Park, on the outskirts of the city

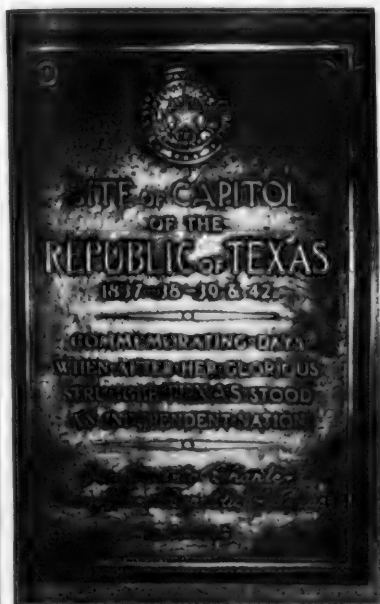


Rice Institute symbolizes Houston's cultural life and educational facilities

ALL PHOTOS FROM FREE LANCE PHOTOGRAPHERS

HOUSTON TODAY

This is an air view of downtown Houston. The plane's left wing partially blocks out the Rice Hotel, headquarters of the American Bankers Association Convention



A bronze plaque on the wall of the Rice Hotel marks the site of the first Texas capital



The new Houston city hall, to be completed in 1939, is shown above in the architect's drawing



ERWING GALLOWAY

Left, the first two-story house in Houston. Built by William Rice, founder of Rice Institute, it housed Union prisoners in the Civil War

A National Congress of Bankers

"A CONVENTION of bank officers," said the *Commercial & Financial Chronicle* for May 1, 1875, "is to be held next July at Saratoga, and the promoters of the meeting have written to ask us for some hints in regard to it. They say they have reason to expect from 1,000 to 1,200 members to be present. They disclaim the idea of 'dictating reforms, or of changing any laws, or of making innovations on existing rules for the government of banks or of their business.' What they intend is to do good to each other 'by meeting together, making each other's acquaintance, and talking over matters of concern to all bank officers, to make their official duties more easy in the future, and to leave 'a green spot' in the pathway of the past that it will be a pleasure to look upon.'"

The convention, as everybody knows, was held and from it came the American Bankers Association. Of no little interest, however, is this pleasantly phrased statement of the founders' objectives, particularly since the Association, in performing services today that were beyond the foresight of its organizers, is still doing essentially what the old letter to the *Chronicle* outlined.

The purposes there stated were somewhat amplified in another letter, this one addressed "To the Bank Officers and Bankers of the United States", dated April 1875 and signed by 40 bank cashiers and three banking firms in 29 cities. This communication — the call for the first Convention — said:

Dear Sir: You are respectfully invited to attend a National Convention of Bank Cashiers and Bankers, to be held on the 20th day of July next, at Saratoga, New York. The desire and necessity for a meeting such as is now proposed has long been fully realized, and its importance duly appreciated by all who have an official connection with banks. The advantages and pleasure, individually, that will be derived from personal intercourse with those who are in daily correspondence, are alone sufficient inducement for such a meeting; and, besides better acquaintance and pleasure, we believe that great profit will result from interchange and comparison of ideas and experiences relating to the conduct of our business. We cannot but think, furthermore, that our general interests will be promoted by a National Congress of experienced bank officers and financiers, in which, doubtless, questions of National interest and importance, as they relate to us, will be fully and freely discussed. These objects combined must, we believe, command universal respect and attention, and exert a powerful influence for good. From the hearty approval of the meeting and its objects received through responses to correspondence with cashiers and bankers in the principal cities and towns of the country, we have every reason to expect a very large attendance.

The above letter was the result of numerous conferences among a group of bankers, particularly in the Mississippi Valley, who had been working toward an organization. In its May 1875 number, *Bankers Magazine* printed a short paragraph about these activities, with the comment that the idea for holding "a general convention of bankers from different sections of the country has several times been suggested by some of our correspondents, but the practical realization of this has not been generally looked for up to this time."

During May the bankers who were endeavoring to provide the "green spot" for future generations busied themselves with preparations for the Saratoga meeting. On May 24 several of them met at Barnum's Hotel, New York City, on invitation of Mr. Howenstein of St. Louis, whose name is prominently identified with the Association movement. These bankers, constituting the committee on arrangements, drafted a Convention program and a follow-up letter which, under date of June 21, 1875, was sent to the banks receiving the original call.

"It was the decided sense of the committee," said this letter, "that all questions of a political or sectional significance should be carefully avoided in the Convention, and that the meeting should be for business and social purposes only, the object being to bring bank officers and bankers into closer relations, with a view to the advancement and protection of mutual interests. The Committee respectfully recommend that every bank send a representative, and it is hoped that out of this meeting, and such others as will naturally follow, will grow results of a business character of importance to all. . . . You are urgently invited to attend this National Congress of Bankers."

Meanwhile, the daily press was taking little notice of the approaching convention. In fact, a reporter for the *New York Times*, not at all impressed by the imminent event, wrote on July 11, 1875:

"The convention of bank officers and bankers which is to meet at Saratoga Springs on the 20th inst., it is understood has been called more for the purpose of social intercourse than to

Hon. Charles B. Hall, first President of the American Bankers Association. Mr. Hall was cashier of the Boston National Bank, Boston, Massachusetts.



discuss any of the weighty questions affecting the banking interests of the country."

The gentleman, however, was a poor prophet, for a reading of the Saratoga proceedings shows that the 300 bankers present from many states did discuss "weighty questions", among them the resumption of specie payments and the tax burden bequeathed by the Civil War.

Also, the convention appointed a committee on permanent organization, charged with drafting a constitution and by-laws for a bankers' association, which should report to a similar convention the following year. With Charles B. Hall, cashier of the Boston National Bank, as convention president, the bankers, in several resolutions, voiced their opinions on numerous issues of the day and adjourned on July 22, leaving to a committee the selection of a time and place for the next meeting.

In effect, the American Bankers Association had begun business in the "magnificent and commodious" town hall at old Saratoga. The "green spot" had been seeded.

In the Judges' Hall on the Philadelphia Centennial Exposition grounds that third morning of October 1876, several hundred bankers sat listening to a speech by James Buell, president of the Importers' and Traders' National Bank of New York. They had come to their second convention to complete the job started the year before, and their speaker was chairman of the American Bankers Association organization committee.

"It is hoped and believed," said Mr. Buell, "that this permanent organization of the banking interest may be productive of good, not only in a business and social point of view, but by exciting among our fraternity such an *esprit de corps* as is gained for other great interests by combined association and periodical conventions.

"The banks and bankers, although representing one of the very largest interests in this country, have hitherto had no general organization, no general conventions, in which to discuss subjects relating to their interest or guild, and which are of common benefit to the public at large. Such conventions and discussions will, if not conducted on a basis of narrow class interests, tend to broaden and elevate the views of ourselves and the public; each will learn to recognize more distinctly that the prosperity of one is equally dependent on the prosperity of the other."

When the chairman had finished, he read a constitution and by-laws for the American Bankers Association. This document was adopted by the Convention on the morning of October 4, when an organization was also perfected. Mr. Hall, presiding officer at Philadelphia as he had been at Saratoga, was elected President, "amid great applause", and the A.B.A. was officially ready for its career of usefulness.

Twenty-two East Fortieth Street

IF you have a few minutes to spare, it will be a pleasure to show you through the A.B.A. workshop.

Of course there are really three workshops—at Washington, D. C., and Madison, Wisconsin, in addition to New York—but headquarters is 22 East 40th Street in the latter city. That is the center of the Association's many activities as they are directed by the National Officers and by the Executive Manager, Dr. Harold Stonier. The tour, therefore, will be confined to that address, with magic carpet side excursions to the other two offices.

First we'll go into this conference room just off the reception hall on the 15th floor. Here is the visitor's book, which our guests sign. It contains many distinguished names.

The door beyond the telephone switchboard leads into the offices housing the Association's educational activities: the AMERICAN INSTITUTE OF BANKING SECTION, the GRADUATE SCHOOL OF BANKING, and the PUBLIC EDUCATION COMMISSION. Naturally, you know about the Institute, for there's probably a chapter in your town and many of your bank's people attend the classes. Speaking statistically for a moment, and at the risk of telling you something you may already know, this highly successful project in adult education has some 44,000 enrolments in 237 chapters throughout the country; counting graduates, the membership is about 62,000 men and women bank employees. Their studies? Bank operation, commercial law, negotiable instruments, economics—lots of it—money and banking, statement analysis, accounting, credit administration, bank administration, mortgage lending, investments, the trust business, public speaking, and other subjects. Local instructors give the courses under home office guidance.

The GRADUATE SCHOOL is a youngster among American educational institutions, but, as you've probably heard, it is eminently mature. The students are experienced bank officers who spend two weeks each Summer in residence at Rutgers University and most of the remainder of the year in home study work. The whole course requires three resident sessions and two years of extension work. The courses in commercial and savings banking, trusts, banking law, economics and investments are advanced, emphasizing the practice and the background of banking. . . .

Are you planning to make a speech? The reason for asking is that if you are, the PUBLIC EDUCATION COMMISSION has useful material which is at your service.

Undoubtedly you know about *Constructive Customer Relations*, that useful booklet published by the Commission for the benefit of bank officers and employees everywhere. It, together with several supplemental pamphlets, has helped many banks get closer to their customers and has been the instrument for taking a great deal of mystery out of banking.

Public relations for banks and the interpreting of banking to the people provide problems to which the Association gives careful study through the PUBLIC RELATIONS COUNCIL, whose chairman is the Executive Manager. This group consists of nine bank executives and A.B.A. staff members whose work involves public relations. The Council coordinates the various phases of the Association's work which come in contact with the public. Policies and projects are discussed periodically.

Do you have a trust department? Here's the TRUST DI-



Conference Room, with Executive Manager's office adjoining



The switchboard



Above and below, A.I.B. and Graduate School offices





Corridor of General Office along which are the National Bank Division, Auditor and News Bureau



Trust Division and Advertising Department



Above and below, views in the Legal Department



vision headquarters, source of valuable information on practical problems related to a specialized branch of banking service. The staff and members of the Division's various committees are constantly at work on studies of policy, organization, equipment, investments, records, forms and other items of interest to trust men.

The Division publishes the *Trust Bulletin*, a monthly devoted to new ideas and practical discussion.

The Mid-Winter Trust Conference in New York and the various regional conferences, held under auspices of the Division, are annual affairs that have long been popular with trust men throughout the country as clearinghouses of information and ideas.

A *Statement of Principles of Trust Institutions*, drafted several years ago and adopted by the Association, is a milestone in the Division's achievement. Widely quoted and frequently referred to, it is the creed of the trust business.

Next door, geographically, is the ADVERTISING DEPARTMENT which so many banks find indispensable in planning and carrying out local campaigns. Newspaper mats, display posters, booklets, folders, blotters, and other media are available to members, covering commercial banking, savings, trust and safe deposit services.

Nearly one-quarter of the Association membership has used the facilities thus provided; more than 1,100 of the 3,500 users get regular monthly advertising service.

Some members are sponsoring in their communities the series of electrically transcribed radio programs prepared under direction of the department. These educational broadcasts explain, in playlet form, the various functions and activities of a bank.

Entrance to the offices of the LEGAL DEPARTMENT is between those tall tiers of the law library books. The General Counsel now makes his headquarters in Washington, being in charge of the A.B.A. office there, but several members of the legal staff are in New York helping to look after banking interests in all legislative matters. The department keeps members advised on state and Federal bills and laws affecting banking; it prepares useful informative bulletins during the sessions of Congress and summarizes enacted legislation, and works with the committees on Federal and state legislation.

An important part of the Department's work is supplying answers to inquiries from members with regard to legal questions, notably the interpretation of banking statutes.

Close at hand is the headquarters of the PROTECTIVE DEPARTMENT, whose motto might well be the old saw about the ounce of prevention. Anyway, the department actively seeks to prevent crimes against banks as well as to help catch criminals.

You know that membership in the A.B.A. makes available the services of William J. Burns operatives. Maybe you didn't know, however, that proportionately fewer banks thus protected have robberies and holdups than institutions which cannot display the sign so well known to crooks: "This bank is protected by . . ."

In the interests of prevention, the Department has prepared for member banks the copyrighted *Bank Inspection Report Form*, listing recommendations for the elimination of potential danger spots in protective equipment and operating methods. Also, there is the important *Protective Bulletin*, published monthly, which provides up-to-date news about crooks and their ruses, and constructive comment on crime suppression.

The rest of the New York workshop is on the 14th floor, one flight down. . . . This door is handiest, let's go in.

The suite of offices immediately at the right is the quarters of the STATE BANK DIVISION. The permanent staff and the numerous committees look after the interests of state banking institutions in legislative matters and in their contacts with Federal agencies. The Division, too, is a clearinghouse of facts about state banking. It makes surveys through which valuable information is obtained, keeps in touch with new developments, and maintains a close cooperation with state bank supervisors and examiners.

Also in this office is the BANK MANAGEMENT COMMISSION whose helpful services are used by many banks, large and small. This Association unit, as its name indicates, is mostly concerned with practical banking: operative methods, banking practice, the improvement of profits, greater operating efficiency. The Commission usually has several research projects under way and its bulletin reporting on these undertakings are familiar to bankers everywhere. Studies have been published on such subjects as service charges and unprofitable practices, operating expenses, investments, departmental organization and operation, loan policies, clearinghouse organization, auditing and accounting methods and personnel problems. Not long ago the Commission drafted and published a *Statement of Principles of Commercial Banking* for banks to distribute to their customers; more than a third of a million copies have thus been circulated.

BANKING, journal of the American Bankers Association, has its editorial, advertising, business and circulation offices in the rooms at this corner of the building. The magazine, a national publication, brings to approximately 34,000 subscribers each month the background, news and practical business of banking. Its readers include not only bank officers and personnel, but bank directors and business executives must keep up to date on significant happenings and trends.

Each month BANKING presents a business review, a speech digest of national scope, a pictorial section, expository and interpretive material on banking subjects, and general articles on matters that touch bankers and banking at one point or another.

Next door to the magazine is the NEWS BUREAU, the channel through which news about Association activities reaches the nation's press. The Bureau seeks to interpret the banking profession accurately and constructively to the public. It helps groups of bankers in the organization of publicity programs and policies.

In the far corner the headquarters of the INSURANCE DEPARTMENT epitomizes an important Association function. The work of the insurance committee has resulted in saving large sums to banks in premium rates and has given them improved insurance contracts. Looking after bankers' blanket bonds, fidelity, forgery and securities bonds, the committee also gives to member banks the benefits of its experience regarding proper insurance coverage. Its representatives, conferring with underwriters and rating bureaus, negotiate extensions or clarifications in coverage and also rate reductions. Two A.B.A. copyrighted forms, the Bank Burglary and Robbery Policy and the Fidelity Schedule Bond, have been of inestimable service to American banking.

To the left is the office of the RESEARCH COUNCIL which reviews and coordinates banking research activities carried on by the various Association units. Supervising the publication and distribution of these studies, the Council also pro-



The Protective Department



Bank Management and State Bank Division



Above, BANKING; below, the "General Office"



motes their use as sources of authoritative information. Furthermore, it originates and carries out research projects, such as its study of the capital market in this country, and the earning power of banks as they have been affected by economic, social and political changes during recent years.

The Council's membership comprises twelve bankers, three non-bankers advisers, and six members of the A.B.A. staff.

The NATIONAL BANK DIVISION's work centers in this room. Here are compiled statistical studies, operating data and useful facts pertaining to the national banks.

Various practices and trends, as well as changes proposed by members or by supervisory authorities or legislative groups, are studied by the Division. In addition, it maintains working relations with the office of the Comptroller of the

Currency and other Government supervisors. It is always ready to assist the member banks, either singly or as a group.

*

Geographically near the end of this tour of the A.B.A.'s New York office is the SAVINGS DIVISION, which serves savings banks and banks with thrift departments. The Division's services include development of plans for stimulating thrift, the preparation of information on new forms of savings bank business, and the study of investments. It leads the school savings movement, and it studies, for the benefit of members, industrial savings banking, personal loan department plans and achievement, thrift clubs and the numerous forms of "purpose" saving, interest computation methods, and questions pertaining to real estate mortgages as investment media.

Here, removed from the confusion of typewriters and telephones, is the LIBRARY of the American Bankers Association. Again, statistics help make the picture: on the shelves and in the files are more than 7,600 books on money, banking, finance, economics, etc.; 284 current periodicals; a "morgue" of some 85,000 pamphlets and clippings from newspapers and magazines, covering 3,000 subjects; and a collection of reference books.

The resources of this excellent financial library are always available to the Association membership.

*

The A.B.A. trip, however, wouldn't be complete without paying respects to several other Association groups and services which have made prominent places for themselves. . . . There is, for example, the ECONOMIC POLICY COMMISSION which keeps a weather eye on contemporary economic and political history as it bears on business and banking, and conducts special studies that are available to members. . . . Then there is the COMMERCE AND MARINE COMMISSION, whose province is the phases of domestic and international affairs that have a relationship to banking. . . . The COMMITTEE ON FEDERAL LEGISLATION and the COMMITTEE ON STATE LEGISLATION, previously referred to, perform invaluable functions in considering legislative matters in their respective banking fields. . . . The STATE SECRETARIES SECTION, comprising the secretaries of the state bankers associations in the 48 states and the District of Columbia, provides a clearinghouse for information about the activities of these organizations.

Perhaps you have visited the Association's WASHINGTON OFFICE. Located in the Washington Building at the corner of Pennsylvania Avenue and 15th Street, it serves the entire membership in all matters of national legislation and rulings and regulations of the Government agencies that have to do with banking. Contacts with members of Congress and of the Administration enable members of the Washington staff to provide, upon request, accurate information about the country's banking business.

*

Headquarters of the AGRICULTURAL COMMISSION is at 1822 Chadbourne Avenue, Madison, Wisconsin. Composed of representative bankers from each Federal Reserve district, the Commission assists and works with the agricultural committees of the state bankers associations in activities designed to effect a closer cooperation between the banker and the farmer.

Three national projects are sponsored: 4-H club work, farm inventories and credit statements, and soil conservation. Particular emphasis is being placed on the importance of erosion control and effective work has been done along that line. The Commission has published several studies.



Savings Division



Above, Library; below, reception room, Washington office





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Varied Program Ready for A.B.A. at Houston

Convention Timetable

Monday, Nov. 14

9:30 A.M.—State Bank Division.
2 P.M.—National Bank Division.

Tuesday, Nov. 15

9:45 A.M.—First general session.
2 P.M.—Trust Division.
2:30 P.M.—State Secretaries Section.
7:45 P.M.—Constructive Customer Relations Clinic.

Wednesday, Nov. 16

9:45 A.M.—Second general session.
7:30 P.M.—Savings Division.

Thursday, Nov. 17

9:45 A.M.—Third general session.
2 P.M.—Clearinghouse Round Table Conference.
9 P.M.—Inaugural ceremony.
10 P.M.—Grand ball.

Convention Activities to Cover Important Interests of Bankers

The program for the Houston Convention of the American Bankers Association, Nov. 14-17, provides unusually broad coverage of matters important and interesting to bankers.

In addition to the three general sessions, the divisional and sectional meetings, constructive customer relations clinic, and clearinghouse round table conference—all familiar features—the 64th Convention will be marked by an impressive ceremony inaugurating the new officers, a daily newspaper, a public relations laboratory and an educational display of bank equipment and mechanical systems. There will also be a number of social events.

The report of the nominating committee and the election of officers who will be installed on the evening of Nov. 17, are scheduled for the second general session on the morning of Nov. 16. The resolutions committee reports at the third general session the following forenoon.

Entertainments Scheduled

Music, golf, dancing and sight-seeing are included in the entertainment program for the Houston Convention.

Opening with a reception and tea in the Rice Hotel lobby on Sunday afternoon, Nov. 13, the list of events for the week embraces a concert of negro spirituals, garden parties for the ladies at the River Oaks Country Club, a concert by the Houston Symphony Orchestra, a trip to the San Jacinto battle grounds, the grand ball concluding the convention, and the bankers' annual golf tournament. The latter is scheduled for all day Friday, Nov. 18, at the Houston Country Club.

Meeting Places

The three general sessions of the Houston Convention and the ceremony inaugurating the new officers will be held in the Music Hall of the Houston Coliseum. Divisional and sectional meetings take place at the Rice Hotel, which is Convention headquarters.

Banker Interviews to Feature Customer Relations Clinic

Facts for Public, Meeting's Theme

This year's constructive customer relations clinic at the A.B.A. Convention is to be on the subject "Giving the Public the Facts Through Public Education." The clinic brings to the membership a report on the Association's public education work during the past year and also presents some demonstrations of how public and customer relations have been satisfactorily approached.

A feature of the Houston clinic will be interviews with three bankers on their programs and the experience they have gained as a result. The interviewer is to be William A. Irwin, Assistant Educational Director of the American Institute of Banking. He will put questions to the following: B. J. Schwoeffermann, president of the Citizens National Bank, Chicago Heights, Ill.; Claude L. Stout, executive

vice-president of the Poudre Valley National Bank, Fort Collins, Colo., and member of the A.B.A. Public Relations Council; and Milton F. Barlow, cashier of the National Citizens Bank, Mankato, Minn., and President of the American Institute of Banking.

Dr. Harold Stonier, Executive Manager of the American Bankers Association, will discuss "Another Step in Customer Relations."

Presiding at the clinic, which is held Tuesday evening, Nov. 15, in the Rice Hotel, is Rudolf S. Hecht, chairman of the board, Hibernia National Bank, New Orleans, and Chairman of the A.B.A. Public Education Commission.

There will also be a showing of a motion picture, prepared by the employees of a bank, tracing the progress of a check through the bank. The purpose is to demonstrate an effective public relations effort which can be undertaken at a minimum of expense.

Speakers at the general sessions represent many sections of American life. Jesse H. Jones, chairman of the Reconstruction Finance Corporation, and chairman of the National Bank of Commerce, Houston, speaks at the opening meeting with W. J. Cameron of the Ford Motor Company. The latter's subject is "Industrial Freedom."

At the second general session, Dr. Adam S. Bennion, assistant to the president, Utah Power and Light Company, discusses "When Two Generations Meet", and J. Reuben Clark, Foreign Bondholders Protective Council, Inc., New York, speaks on "Constitutional Liberties."

Dr. Karl T. Compton, president of Massachusetts Institute of Technology, and the Rt. Rev. James E. Freeman, Bishop of Washington, are speakers at the third general session. Dr. Compton's topic is "Science, Employment and Profits" and Bishop Freeman's "Maintaining Spiritual Values in American Life."

WHILE IN TEXAS VISIT

San Antonio



San Jose, founded in 1781, is the Queen of the Missions



Randolph Field, one of the largest airdromes in the world



Municipal Auditorium,
offices the Municipal
Information Bureau

MOST ROMANTIC, COLORFUL AND PICTURESQUE CITY OF THE STATE!

No trip to Texas is complete without seeing San Antonio! Just four hours drive from your convention city and you'll feel that you are in a land apart. San Antonio is a charming centuries-old city filled with sights found nowhere else in the world. Here is color and glamour and romance you've known only in fiction. Here American and Mexican customs are in complete contrast. Here, *life is different*.

There are countless things to see and do in San Antonio, whether you have a few short days or several weeks to spend. You'll see the Alamo, where Texans gave their lives for freedom; Fort Sam Houston, largest army post in the U. S.; Randolph Field, "West Point of the Air"; the Missions, built more than two hundred years ago by Franciscan Padres; the Governors' Palace where Spanish viceroys ruled; Brackenridge Park with beauty famed throughout the nation; the Sunken Garden with unrivaled color abloom; the Reptile Garden where rattlesnake sandwiches are served; the Mexican Quarter; historic San Fernando Cathedral; and scores of other equally interesting points.



Plan now to visit San Antonio and make your convention trip the most interesting vacation of your life. Once you see this modern Pan-American city, where the past still lives, you'll take away never-to-be-forgotten memories.

San Antonio, on the Pan-American Highway, is the gateway to Old Mexico.

You will find San Antonio a vacation city unequalled. From the moment you arrive until you leave, nothing will be left undone to make your stay enjoyable.

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Speakers and subjects for other Convention meetings include the following:

State Bank Division, A.M. Nov. 14: C. B. Axford, editor, *The American Banker*, "What State Banks Can Do"; William A. Irwin, Assistant Educational Director of the American Institute of Banking, "An Examination of the New Economics."

National Bank Division, P.M. Nov. 14: J. N. Quinn, cashier, First National Bank, Hugo, Colo., on bank taxation; Dunlap C. Clark, president, American National Bank, Kalamazoo, Mich., "The Banker in the Business Life of the Community"; Dr. Paul Cadman, "Pensions Preferred."

Trust Division, P.M. Nov. 15: Lindsay Bradford, president, City Bank Farmers Trust Company, New York, "Phases of Trust Business"; James V. Allred, Governor of Texas, "Advantages of the Corporate Executor and Trustee."

State Secretaries Section, P.M., Nov. 15: Milton F. Barlow, cashier, National Citizens Bank, Mankato, Minn., and President, American Institute of Banking, "A.I.B. and the State Bankers Associations"; D. J. Needham, General Counsel, American Bankers Association, "Recent Federal Legislation."

Savings Division, evening Nov. 16: Philip A. Benson, First Vice-president, A.B.A.,



Preston Delano, Governor of the Federal Home Loan Bank Board, has been named Comptroller of the Currency

and president, Dime Savings Bank of Brooklyn, "Something for Nothing"; William R. White, superintendent of banks, New York State, "Savings Deposits a Growing Responsibility"; Fairman R. Dick, of Dick and Merle-Smith, investments, New York, "The Savings Banks and the Railroads."

The various divisional presidents will also address their respective meetings.

Clearinghouse Round Table Conference, P.M. Nov. 17: Introducing the general theme, "Augmenting Bank Earnings"; H. H. Griswold, president, First National Bank & Trust Company, Elmira, N. Y., and chairman of the Bank Management Commission, which has arranged the conference; E. N. Dekker, assistant vice-presi-

Two Large Trust Meetings Held

The 9th Mid-Continent Trust Conference in Chicago on September 29 and 30 under the auspices of the Trust Division, American Bankers Association, drew a record-breaking attendance for regional trust conferences of almost 700.

The 16th Regional Trust Conference of the Pacific Coast and Rocky Mountain States, under the auspices of the Trust Division, was held in San Francisco, Oct. 19-21. The program embraced such subjects as trends in legislation and taxation, new concepts of investment of trust funds due to changing conditions, and the problem of placing trust service on a paying basis.

dent, National City Bank, Cleveland, "Intermediate Credit for Industry"; D. Howard Doane, president, American Society of Farm Managers and Rural Appraisers, St. Louis, "Real Estate Loans"; Elmo Thompson, vice-president, First National Bank & Trust Company, Tulsa, Okla., "Installment Financing and Personal Loans."

At the inaugural ceremony there will be music by Mario Chamlee, operatic tenor, and the Houston Glee Club.

Southern Hospitality

The New Orleans Clearing House Association is planning to entertain bankers who will be in that city on their way to the Houston Convention. The clearing-house banks will be hosts at a dinner on the evening of Nov. 12 and golfing facilities will be at the visitors' disposal throughout that day.

Secretaries Form "Down East" Group

The Down East State Secretaries Association has been formed by the secretaries of the state bankers associations in New England, New York, New Jersey and Pennsylvania.

The group was organized at the home of G. Harold Welch, secretary of the Connecticut Bankers Association, at Branford, Conn.

Administrative Committee Meets

The Administrative Committee of the American Bankers Association met October 6 and 7 at the Waldorf-Astoria Hotel in New York. President Adams presided.

CONVENTIONS

American Bankers Association

Nov. 14-17 Annual Convention, Rice Hotel, Houston, Texas

1939

June 5-9 American Institute of Banking, Civic Auditorium, Grand Rapids, Michigan
June 19-30 The Graduate School of Banking, Rutgers University, New Brunswick, New Jersey

State Associations

Nov. 11-12 Arizona, Westward Ho Hotel, Phoenix

1939

Jan. 25 Mid-Winter Conference, Wisconsin, Milwaukee
Jan. 26 Mid-Winter Conference, Illinois, Chicago
May 3-4 Indiana, Claypool Hotel, Indianapolis
May 4-5 Oklahoma, Oklahoma City
May 6 Oklahoma Institute of Banking, Oklahoma City
May 8-10 Missouri
May 9-10 Mississippi
May 10-12 Kansas, Kansas City
May 14-19 Virginia, Cruise to Bermuda on board the Queen of Bermuda
May 16-18 Texas, Dallas
May 25-26 Illinois, Peoria

May 25-27 West Virginia, Greenbrier Hotel, White Sulphur Springs

June 2-3 South Dakota, Pierre

June 5-7 Iowa

June 7-8 Wisconsin, Milwaukee

Other Organizations

Oct. 31-Nov. 2 National Foreign Trade Convention, New York City

Oct. 31-Nov. 3 Financial Advertisers Association, Texas Hotel, Fort Worth, Texas

Nov. 7-12 National Association of Real Estate Boards, Milwaukee, Wisconsin

Nov. 10-12 National Association of Supervisors of State Banks, Hot Springs, Arkansas

Nov. 11-18 National Automobile Show, Grand Central Palace, New York City

Nov. 14-15 National Association of Sales Finance Companies, Stevens Hotel, Chicago, Illinois

Nov. 14-16 National Association of Bank Auditors and Comptrollers, Houston, Texas

Nov. 14-17 Association of Bank Women, Houston, Texas

Nov. 15-18 National Security Traders Association, Miami Biltmore Hotel, Miami, Florida

Dec. 5-9 Congress of American Industry, New York City

JEFFERSON COUNTY, TEXAS

Offers You:

• **A PLACE TO WORK.** *Advantages:* Deep water channels to the Gulf, inland barge waterway joining the Mississippi, good rail transportation facilities, ample economical power, native-born labor, temperate climate.

Results: Southwest's greatest concentration of oil refining (six plants with 450,000 barrel daily capacity) and shipping (40,000,000 cargo tons moved last year). Swift industrial development and expansion.

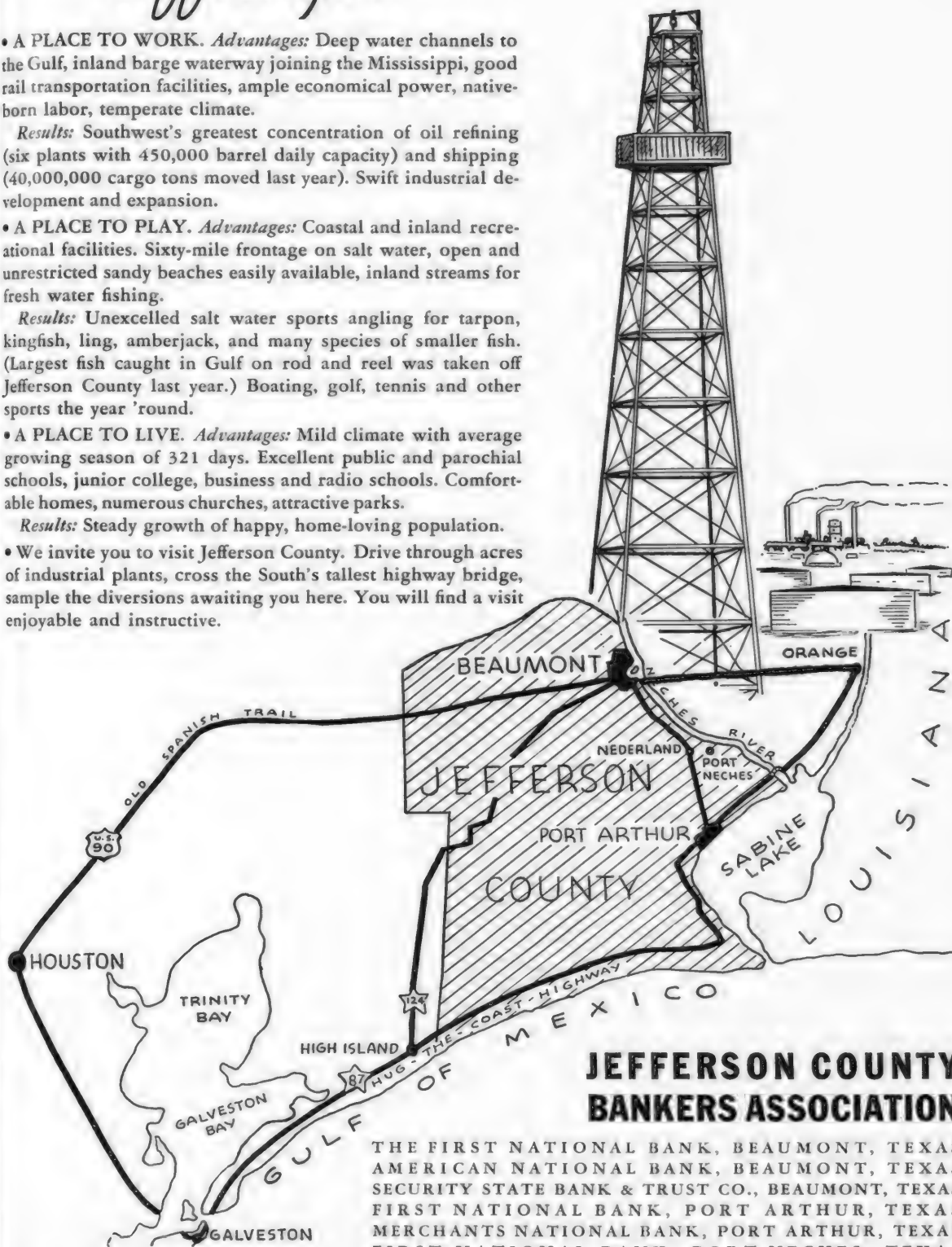
• **A PLACE TO PLAY.** *Advantages:* Coastal and inland recreational facilities. Sixty-mile frontage on salt water, open and unrestricted sandy beaches easily available, inland streams for fresh water fishing.

Results: Unexcelled salt water sports angling for tarpon, kingfish, ling, amberjack, and many species of smaller fish. (Largest fish caught in Gulf on rod and reel was taken off Jefferson County last year.) Boating, golf, tennis and other sports the year 'round.

• **A PLACE TO LIVE.** *Advantages:* Mild climate with average growing season of 321 days. Excellent public and parochial schools, junior college, business and radio schools. Comfortable homes, numerous churches, attractive parks.

Results: Steady growth of happy, home-loving population.

• We invite you to visit Jefferson County. Drive through acres of industrial plants, cross the South's tallest highway bridge, sample the diversions awaiting you here. You will find a visit enjoyable and instructive.



JEFFERSON COUNTY BANKERS ASSOCIATION

THE FIRST NATIONAL BANK, BEAUMONT, TEXAS
 AMERICAN NATIONAL BANK, BEAUMONT, TEXAS
 SECURITY STATE BANK & TRUST CO., BEAUMONT, TEXAS
 FIRST NATIONAL BANK, PORT ARTHUR, TEXAS
 MERCHANTS NATIONAL BANK, PORT ARTHUR, TEXAS
 FIRST NATIONAL BANK, PORT NECHES, TEXAS

The Southwestern Empire

By RONALD STUART KAIN

The author is a widely known research expert and writer on current affairs.

THE Gulf Southwest is one of the most rapidly developing producing areas of the United States. In population and wealth, as well as in productive capacity, it is forging ahead at a faster tempo than most of the eight or ten other natural economic units into which the country may be divided.

The enterprise and vigor of its inhabitants are matched by the richness of its mineral resources, the fertility and extent of its farming lands, the wealth of its pastures and forests, the increasing variety of its industries. Favored likewise by climate and by water routes providing easy access to the markets of the nation and the world, the Southwest is truly an imperial domain.

This thriving economic empire radiates confidence born of past progress and the future's bright promise. Its people are cheerful, optimistic, open-handed. Nurtured in the glamorous traditions of the frontier, they are adventurous, instinctively hospitable, and intensely proud of their stirring history.

Educational and cultural activities are actively supported and liberally endowed. The universities of the region attract national attention. In the rapidly growing, modern cities of the Southwest, urban sophistication blends with the hardy,

unpolished frontier. Well dressed merchants, bankers, and skilled professional men mingle on the streets with sun-bronzed cowpunchers and strapping oilfield workers.

Then, too, the Southwest bears the indelible impress of more than a century of contact with the colorful Spanish-Indian civilization of Mexico. Old Spanish missions; the prevalence of Spanish-Mexican customs, cookery, expressions and place names; and the picturesque Mexican quarters of many cities and towns give the region an atmosphere all its own—a distinctive personality that lures an increasing stream of tourists from other parts of the nation and even from Europe. And with the opening of the Mexican section of the Pan-American Highway, the Southwest assumes rapidly growing importance as the gateway for trade and cultural relations with Mexico and all Latin America.

The Texas Centennial Exposition at Dallas in 1936 and 1937 and the Frontier Exposition at Fort Worth in 1936 focused the nation's attention upon the phenomenal progress of Texas and the Gulf Southwest during the past century. This year the American Bankers Association gives further recognition to the economic advance of this region by holding its Annual Convention in Houston, Texas, November 14-17.

SAM HOUSTON'S NAMESAKE

HOUSTON epitomizes not only the business enterprise and tremendous economic development of the Gulf Southwest but also its recreational and cultural advantages and colorful history. Named after the valiant General Sam Houston,



★ OKLAHOMA CITY ★ *A growing Banking and Industrial Center*

OKLAHOMA CITY will be 50 years old next April. It has a quarter of a million population. In the center of a rich farming and live stock region, it has two of the country's major packing plants. One of the world's largest oil fields is on its doorstep. The city's combined bank deposits, June 30, 1938, were \$103,688,922.52.

Sixteen planes and 48 trains and other carriers, plying in and out daily with U. S. mail, enable Oklahoma City's banks to serve correspondents quickly and efficiently over a wide-spread area.



UPPER, RIGHT
— DOWNTOWN OKLAHOMA CITY
LOWER
— NIGHT VIEW, NEW CIVIC CENTER

Oklahoma City Clearing House Association

★ CITY NATIONAL BANK & TRUST CO.

★ FIDELITY NATIONAL BANK

★ FIRST NATIONAL BANK & TRUST CO.

★ LIBERTY NATIONAL BANK

★ TRADESMEN'S NATIONAL BANK

Bankers and Oil Men *Bank on us!*

PETROLEUM made Tulsa "the Oil Capital of the World" soon after statehood. Having served Oklahoma during Territorial Days, This Bank naturally "took to oil."

IT LEARNED to be of assistance in a business destined to become a great industry (not a speculation) that would soon bring Oklahoma and the Southwest abreast of the rest of these United States.

TODAY This Bank is America's oldest bank specializing in oil industry finance. Its experience and direct connections with all oil centers in the Southwest point to greater service to banks interested in oil!

WE BANK ON **OIL!**
The FIRST
NATIONAL BANK
and Trust Company of Tulsa

Member Federal Deposit Insurance Corporation

who won independence for Texas at the historic Battle of San Jacinto on April 21, 1836, the city is situated in the southeastern part of the Lone Star State on the Houston ship channel some 55 miles from the outer bar of Galveston Bay. It is one of the fastest growing cities and leading ports of the United States, the world's greatest spot cotton market, the chief industrial center of southern Texas and the county seat of Harris County.

Houston's population is now estimated at over 410,000, an increase of more than 40 per cent since the 1930 census, which recorded 292,352 inhabitants. It has almost doubled in population since the American Bankers Association convention was held there in 1927.

The ship channel is the key to the city's amazing growth. Buffalo Bayou, a shallow, meandering tidal stream, has been converted by years of labor and an expenditure of over \$25,000,000 into a giant waterway through which vessels of 20,000 or more tons pass under their own power. The channel is 55 miles long from the outer bar to the turning basin four miles east of the city and has a bottom width of 70 feet at the narrowest point. It was completed as a 25-foot channel in 1925 and has since been widened and deepened to 34 feet. A light-draft canal links the turning basin with the city proper.

HOUSTON'S TRADE

HOUSTON now ranks first among the cotton exporting ports of the country, third in the total exports shipped abroad, and fourth in the aggregate commerce handled. In the latter category, only New York, Philadelphia and Duluth-Superior surpass it. In 1935 the water-borne exports of this thriving port totaled 3,393,000 short tons out of 8,469,000 tons shipped from all Texas ports. It handled 909,000 of the 1,318,000 tons of imports entering all Texas ports by water. In addition, it shipped 12,983,000 tons of goods and received 1,109,000 tons in the coastwise trade during the same year.

Some 2,500 vessels enter the ship channel annually—an average of seven each day—laden with tropical products and a bewildering variety of manufactures from the industrial centers of the world. They clear for the cities of the Atlantic seaboard and a thousand overseas markets with the raw materials and manufactures that flow to Houston from a

The United States Government controls the production of helium, which centers in Texas. Below, Navy tank car loaded with gas



WIDE WORLD

vast hinterland, extending northward to Kansas and Nebraska and westward to New Mexico and eastern Arizona. Shipments of cotton, petroleum and its products, wheat, rice, cottonseed oil and meal, meat products, minerals and ores, timber products, scrap iron and steel, chemicals and machinery tax the city's modern and continually expanding export facilities.

The ship channel is by no means the sole basis of Houston's commercial and industrial activity. As the metropolis of an important oil and cotton producing region, and the focal point of an extensive network of railways, highways and airlines, the city is a natural manufacturing, distributing and financial center.

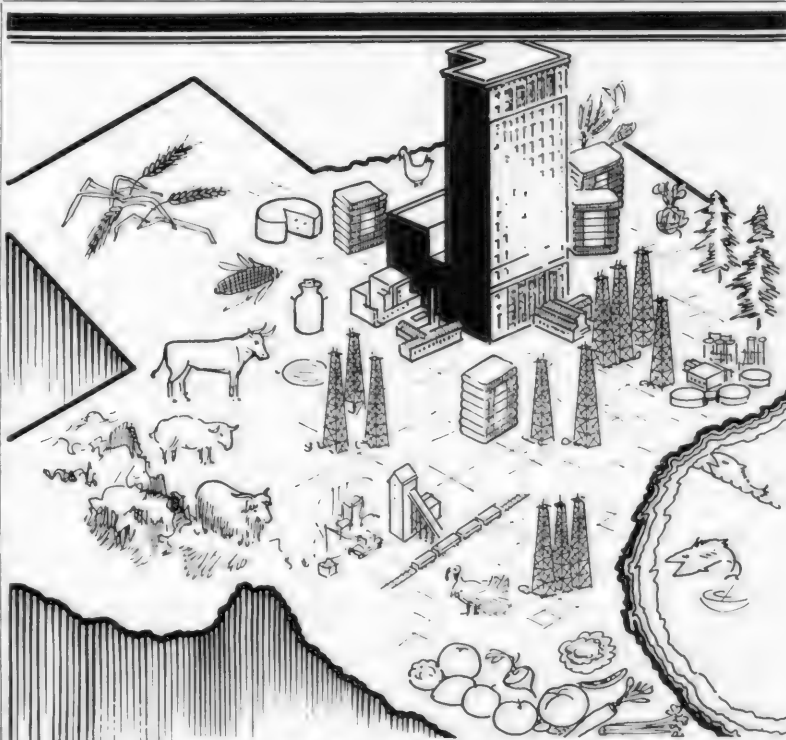
Its industries include numerous petroleum refineries, cotton compresses and warehouses, flour mills and grain elevators, fertilizer plants, cement and chemical works. A \$5,000,000 mill for the manufacture of paper from the pine forests of East Texas is projected. There are railroad repair and construction shops, rice mills, foundries, machine shops, and important printing and publishing plants. In 1935 net sales of the 4,452 wholesale and retail stores in Houston aggregated \$444,895,000 and in 1936 bank debits to individual accounts amounted to a total of \$2,223,000,000.

Leaders of Houston's important banking establishments have won wide recognition for their services to the banking business as well as to the State and nation. Jesse Jones, chairman of the National Bank of Commerce, publisher of the *Houston Chronicle* and owner of

many of the city's skyscrapers, hotels and theaters, is more widely known as chairman of the Reconstruction Finance Corporation and a figure in national politics. F. M. Law, president of the First National Bank and past President of the American Bankers Association, is again serving as general chairman of the local committee in charge of arrangements for the 1938 Convention—a post he filled with conspicuous ability and success in 1927. The Convention will be held this year in the Music Hall, one of the auditoriums in the great new Coliseum, the main hall of which seats 20,000 persons.

Houston boasts numerous other civic centers and places of recreational and historic interest, as well as a mild and equable climate; roses bloom the year round and strawberries ripen in February.

It is proud of its wide and well paved streets, the pleasant driveways along the bayous, its 2,500 acres of parks, its library, art museum and outdoor theater, its modern office buildings, hotels and night clubs. Three miles from the center of the city is the beautiful campus of Rice Institute. Established in 1912 with a \$10,000,000 endowment left by William Marsh Rice,



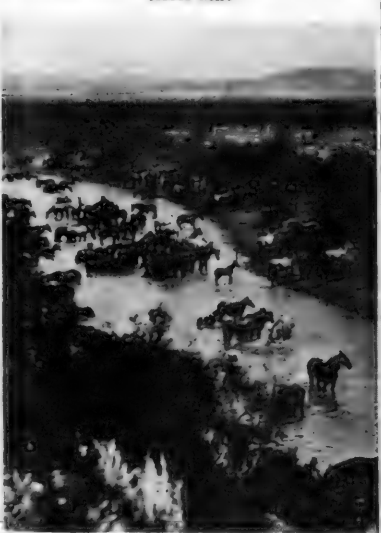
THE LARGEST BANK IN THE LARGEST STATE

extends greetings to those who will attend the Houston A.B.A. Convention. Texas, with its vast natural wealth, thriving industries, and scenic beauties, is ready to welcome you—and our representatives look forward with pleasant anticipation to the renewing of old friendships, and the making of new ones.

FIRST NATIONAL BANK

IN DALLAS MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Still to be found in Texas are ranches rivaling Delaware or Rhode Island in their size



EWING GALLOWAY

it now has a plant and productive funds valued at some \$15,000,000 and provides free tuition to about 1,350 students.

The battlefield of San Jacinto, where General Houston with 743 frontiersmen defeated Santa Anna's army of 1,600 Mexican veterans, lies 22 miles south of the city on the banks of the ship channel. A state park since 1906, it is now adorned by a 564-foot memorial shaft dedicated April 21, 1937, to the heroes of the victory that fixed the frontier of the United States at the Rio Grande. The shaft, which is slightly higher than the Washington Monument, cost \$900,000.

From the battlefield, it is only a short drive to the Gulf of Mexico and Galveston, a cotton shipping port and resort city of some 53,000 inhabitants, famed for its splendid beach and tarpon fishing. Here the pirate Jean Lafitte established his chief rendezvous early in the last century. And here in 1900 a great hurricane, blowing steadily inland for 18 hours at a velocity reaching 135 miles per hour, hurled the raging Gulf upon the defenseless city. More than 5,000 persons were drowned and property valued at \$17,000,000 destroyed. Now Galveston rests secure behind a great sea wall seven and one-half miles



Texas has over a million more cattle than people, and produces about 10 per cent of the nation's beef

long, 17 feet high, and five feet thick. A new \$2,000,000 causeway makes the city easily accessible from the mainland.

OTHER THRIVING CITIES

NO less important economically, and no less interesting from the tourist's point of view, are the thriving cities of

the interior. Dallas, site of the Federal Reserve Bank of the Eleventh District and chief financial and wholesale distributing center of the Southwest, is a rich, progressive city of over 260,000 inhabitants. Smart shops, imposing skyscrapers, excellent restaurants and numerous cultural facilities proclaim its modern spirit. It supports a symphony orchestra and one of the best "little theaters" in the country.

A short 33 miles west of Dallas is its hustling, rough-and-ready rival, Fort Worth, leading grain and livestock market of the United States. Architecturally Fort Worth is modern, but spiritually it is closely linked to the cattle country and the frontier. Austin, the political center, with its huge capitol of pink Texas granite, has one of the largest and best state universities in the country. The enrollment is nearly 10,000; the endowment, aided by oil discoveries on school lands, totals about \$33,000,000.

San Antonio is a tourist's delight. There is a large and picturesque Mexican quarter, a number of fine old Spanish missions, the ruins of the former Spanish Governor's palace, and, of course, the historic Alamo, "shrine of Texas liberty." The city is now a bustling oil and commercial center and nearby are a number of well known military airfields, including Randolph Field, the \$11,000,000 "West Point of the Air". Scores of other points of historic, scenic or economic importance dot Texas and the other southwestern states.

Houston and Galveston are but two of the 14 deep-water ports of Texas. Like Houston, most of them are man-

TO THE DELEGATES

WE EXTEND A HEARTY WELCOME

TO TEXAS

AND THE WISH THAT THEY HAVE

A PROFITABLE AND ENJOYABLE

CONVENTION

AMICABLE LIFE INSURANCE CO.

WACO, TEXAS

made and draw commerce from the hinterland extending halfway to the Pacific and the Canadian border. Large sea-going vessels ascend the Sabine-Neches waterway along the Texas-Louisiana boundary to Port Arthur, Port Neches, Beaumont and Orange. These ports constitute the world's greatest oil refining center, fed by the fabulously rich East Texas field. They export not only petroleum and its various products but also timber products from the East Texas pine belt, scrap iron and steel, rice and other farm produce. Texas City, on Galveston Bay, is an oil and cotton-shipping port. It also imports much raw sugar for purification in its large refinery.

SULPHUR MINING

TRAVELING southward from Texas City along the splendid beaches of the Gulf Coast, one comes to Freeport, export center for the world's largest sulphur mining region; Port Arkansas, another oil shipping center; Corpus Christi, chiefly a cotton port but handling also sulphur, lead and other products, including the chemicals produced by its \$7,000,000 alkali plant; and finally, near the Mexican border, Port Isabel and Brownsville, through which pass the citrus fruits, truck crops, cotton and livestock products of the immensely productive Rio Grande valley as well as the metals of northern Mexico.

Port Isabel and Brownsville, the newest ports opened by Texas enterprise, were made accessible to ocean-going ships in 1935 and 1936, respectively. Brownsville is reached by a 28-foot channel extending 17 miles from the Gulf and costing, with its turning basin, about \$3,000,000. A more ambitious project to make the Trinity River navigable as far as Dallas and Fort Worth in northeastern Texas is now under consideration. The Intracoastal Canal, completed as far as the Galveston Bay region in 1933, is to be extended southward to Corpus Christi and eventually to Brownsville, linking all Texas ports with those of the Mississippi and Ohio Rivers.

Even with its existing port facilities, Texas is a close rival of New York State for supremacy in the tonnage of goods exported. It also enjoys a growing trade with Mexico through such border cities as Brownsville, Laredo and El Paso. In 1935 the Texas Gulf ports alone exported one-fourth of the total tonnage shipped from the United States, and in 1934 the Texas ports and cities along the Mexican border handled 18 per cent of the value of all United States exports. The Southwest customs

WELCOME, AMERICAN BANKERS, TO TEXAS



The Banks of Austin
Extend to You a
Hearty Welcome to
Visit the Capital
City of Texas



AUSTIN CLEARING HOUSE ASSOCIATION

THE AUSTIN NATIONAL BANK
THE AMERICAN NATIONAL BANK
THE CAPITAL NATIONAL BANK

All members of Federal Deposit Insurance Corporation

★
Greetings
 to the
A. B. A.
Convention
 and
Welcome to
Texas

★
WACO CLEARING HOUSE
ASSOCIATION
 Waco, Texas

Every member of your board will profit by reading this November Convention issue of **BANKING**. A limited number of additional copies have been printed and are available at 25¢ each postpaid.

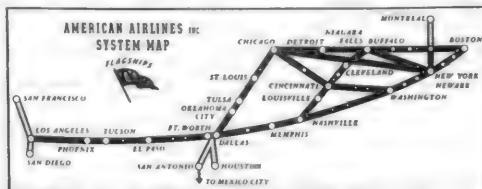


LEAVE LATER... GET THERE SOONER
FLY TO HOUSTON
FOR AMERICAN BANKERS ASS'N CONVENTION, NOV. 14-17
OVERNIGHT FROM NEW YORK or LOS ANGELES

Fast Service from Chicago and Other Midwest Cities

★ Houston is only a few hours away by air. No need to rush away from business, or waste days, getting there! Fly—and

leave later... get there sooner! Make reservations now—today! Call your travel agent or American Airlines Office in your city.



AMERICAN AIRLINES Inc.
 THE AMERICAN STANDARD OF SERVICE

district, extending from El Paso to New Orleans, accounted for 22.7 per cent of the nation's exports and 6.9 per cent of the imports, by value, in 1935 as against 21.5 and 5.8 per cent, respectively, in 1929.

A GIGANTIC AREA

CONSIDER for a moment the size and economic position of the great southwestern empire in which most of this trade originates. The states of Texas, Oklahoma, Arkansas, Louisiana and New Mexico, popularly known as the Gulf Southwest, comprise nearly one-fifth of the land area of continental United States. The population of this region increased from about 6,700,000, or 8.8 per cent of the nation's, in 1900 to 12,600,000, or 10.3 per cent of the total, in 1930. These three decades saw a 100 per cent increase in the Gulf Southwest as against a 60 per cent rise for the country as a whole. The region's urban population showed an even greater relative growth from 2,000,000 to 4,500,000 (125 per cent) in the decades 1910-30, as against an urban increase from 42,000,000 to 69,000,000 (64 per cent) for the entire country.

Yet the Gulf Southwest today supports only a small fraction of its poten-

tial population. Texas alone would hold all of the 130,000,000 people of the United States if it were as thickly settled as Massachusetts. Its biggest county (Brewster) is larger than Connecticut and Rhode Island combined, and there are 254 counties in the Lone Star State.

The far-flung limits of this one state contain a pine timber belt the size of Indiana, a sub-tropical coastal district as large as South Carolina, a plateau region from 3,000 to 4,000 feet in altitude and 75 per cent cultivable which is equal in area to Pennsylvania, another farming region in central and mid-western Texas as large as Ohio and Kentucky combined, an area the size of Tennessee in the Edwards plateau of South Central Texas devoted to livestock raising and diversified farming, and a mountainous region to the west of the Pecos River as extensive as West Virginia.

Small wonder that Texas can boast a greater diversity of climate, flora, fauna, and geographical characteristics than any other state in the Union. Its natural resources and productivity are commensurate with its size. Texas easily leads the other states in the production of petroleum, cotton, cattle, sulphur and a score of lesser products. It recently challenged the world to surpass a 183-pound Texas watermelon and a Texas grapefruit 26 inches in circumference. Such bounteous sources of natural wealth explain the fact that the income of Texas in 1937 increased by 12 per cent as compared with 1936, while the income for the United States as a whole rose only 6 per cent.

BLACK GOLD

THE dynamic factor behind the rapid economic advance of the Gulf Southwest is the region's tremendous petroleum deposits. Since the oil industry started in earnest with the discovery of the Spindletop field in Texas in 1901, it has been primarily responsible for the rapid increase in population, the expansion of trade, the growth of large commercial centers. Petroleum furnished the capital for the rise of manufacturing industries. It gave a powerful stimulus to highway construction, the spread of education, and to general civic and cultural progress. Under the impetus provided by the increasing flow of "black gold", the Southwest changed from a colonial to a partly industrialized economy within a quarter of a century. And with this change came new mental attitudes, revised political ideas, a trend toward new social and economic policies.

Due largely to its oil output, the Southwest in 1935 accounted for 28 per



BLACK STAR

Texas has produced over half of all the United States cotton exports. Since 1850, the Lone Star state has shipped abroad over 180,000,000 bales

cent of the value of all minerals produced in the United States. In that year Texas, with a mineral output valued at \$528,069,238, surpassed Pennsylvania, long the chief mining and mineral producer. Petroleum refining is the leading manufacturing industry of the Southwest, which in 1935 had nearly 40 per cent of the refining capacity of the entire country.

Nor is petroleum's preponderant rôle in the Southwest likely to diminish. The proved oil reserves of the United States on January 1, 1936, were estimated at nearly 13 billion barrels, of which the Gulf Southwest and Kansas were credited with nearly nine billion barrels, or 67.3 per cent. Texas alone has almost half the total proved American oil reserves (5½ billion barrels) and in the Panhandle it possesses the world's greatest natural gas fields. Oil fields have been discovered from one end of Texas to the other—oil leases cover nearly one-fourth of its area—and the precious mineral is distributed almost as widely in the neighboring states.

NEW WEALTH

EACH oil deposit opened up furnishes new lifeblood to southwestern business and finance. The bringing in of the great East Texas field at the beginning of the recent world depression enabled Texas to ride out the economic blizzard more easily than her sister states. The important Rodessa field was discovered along the Texas-Arkansas-Louisiana boundaries in 1935 and 1936 and is now coming into increased production.

In April of 1938 new oil wells were being completed in Texas at an average rate of 38.4 daily. Between 1866, when oil was first discovered at Nacogdoches, and January 1, 1935, a total of 126,619 wells were drilled at a cost of \$2,342,451,000; of these 82,700 struck oil, 4,551 struck natural gas and 39,378 were dry. From 1900 to 1936 the state produced 4,189,766,000 barrels of petroleum valued at \$4,736,000,000. The industry provides about 56 per cent of the state's tax revenues, employs about 135,000 persons and supports about 1,000,000 persons directly and indirectly.

From the great natural gas fields of the Panhandle, pipelines transmit gas under high pressure to the chief cities of



THE FIRST NATIONAL BANK in Houston extends a hearty welcome to visitors to the 64th annual convention of the American Bankers Association. This issue of *Banking* tells you much about Houston; and you will see even more: your visit to our city will acquaint you with new opportunities, new resources, with a new center of American industrial and commercial life. . . . We believe that you will take away with you an impression of a city soundly built and soundly growing; we also want you to remember Houston as one of the most hospitable cities you've ever visited. So while you are here, we hope to have the pleasure of seeing you, not only at the Convention but also at the Bank. If there is anything any of us can do to make your stay in Houston more pleasant, please let us know.

FIRST NATIONAL BANK in Houston

Member Federal Deposit Insurance Corporation

Colorado, Wyoming, Kansas, Iowa, Minnesota, Missouri, Illinois and Indiana. In 1936 the Panhandle and other Texas gas fields produced nearly 843 billion cubic feet valued at \$101,046,000. Of this about 670 billion cubic feet were treated for the extraction of gasoline, yielding 500,094,000 gallons valued at \$17,050,000. Approximately one-fourth the total output was burned in the production of carbon black, worth more than \$11,000,000. The value of the natural gas wasted in Texas fields alone is estimated at some \$90,000,000 annually.

The preeminence of the Gulf South-

west in the sulphur industry is even more striking. The United States accounted for 78 per cent of the world's 1936 output. Of the total American production of sulphur in the same year, Texas accounted for 85 per cent (1,724,284 long tons) and Louisiana for most of the remainder. Texas has extensive iron deposits but no coking coal. If an efficient process for the use of lignite, natural gas or oil in iron smelting is ever discovered, the Southwest may well become a base for heavy as well as light industry.

Extending from the Panhandle to the Pecos Valley in western Texas are im-

mense deposits of potash, expected in the not distant future to play a vital rôle in restoring the depleted fertility of American farm lands. Most of the world's supply of helium comes from deposits owned by the United States Government near Amarillo in the Panhandle.

COTTON'S KINGDOM

IN 1929 the Texas petroleum industry toppled King Cotton from his throne and took first rank as the greatest single source of income. A similar trend is evident in Oklahoma and Louisiana. But cotton still rules a vast domain, in some respects much more important than the oil kingdom. It is still the main support of 2,700,000 Texans, or nearly half the state's population. Texas has led all the other states in cotton production continuously since 1880. Its farms even today yield nearly one-third of all American cotton and one-seventh of the world supply. The 1937 crop reached a thumping total of 5,230,000 bales worth \$214,430,000.

However, the relative importance of cotton in the agricultural economy of the Southwest has been declining in recent years, due to the decrease in its acreage and the growing production of wheat, rice, citrus fruits, sorghums, tomatoes, onions, spinach and other truck crops. Texas has also seen a substantial expansion of dairying and poultry raising as well as an increase in such industrial crops as soybeans, tung oil, flax, hemp and castor beans. Not less than 100 different crops are grown in the Lone Star State on some 30,000,-

Houston ranks first among the country's cotton exporting ports, third in total exports, and fourth in aggregate commerce handled



CONDREAD

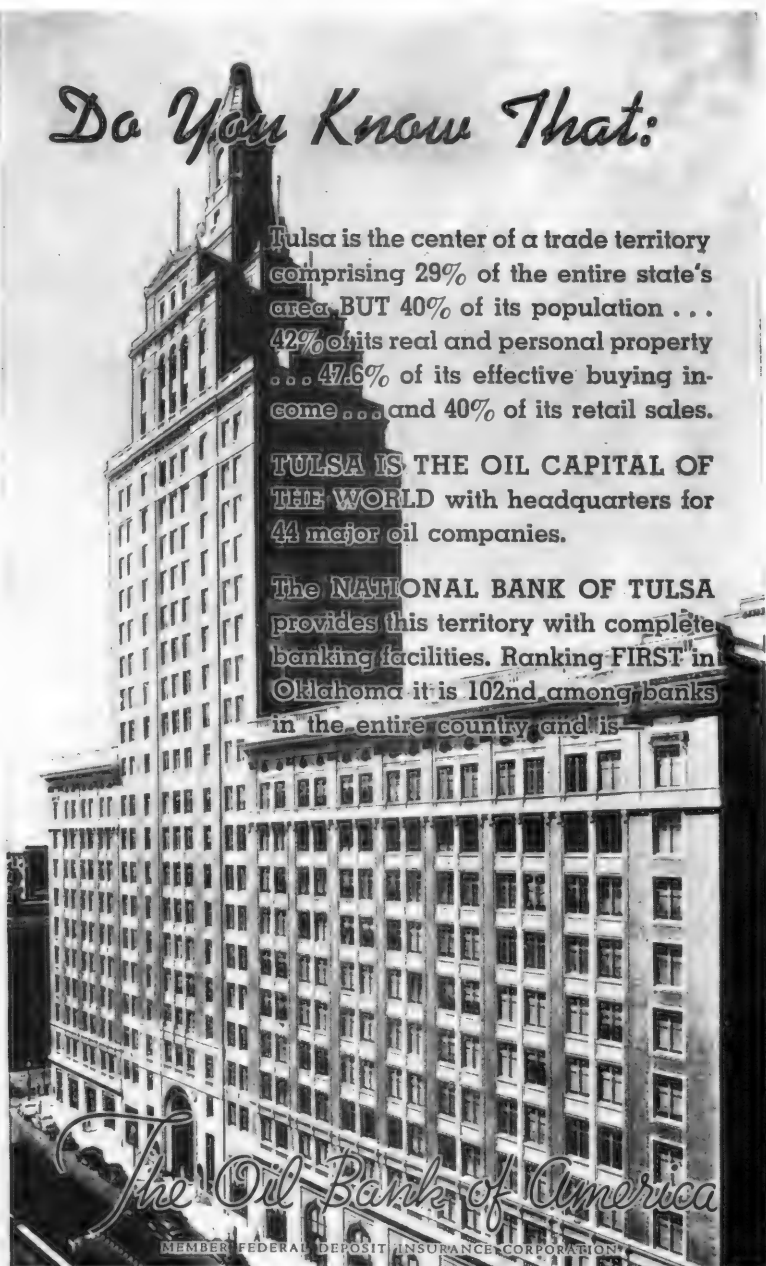
BANKING

Do You Know That:

Tulsa is the center of a trade territory comprising 29% of the entire state's area BUT 40% of its population . . . 42% of its real and personal property . . . 47.6% of its effective buying income . . . and 40% of its retail sales.

TULSA IS THE OIL CAPITAL OF THE WORLD with headquarters for 44 major oil companies.

The **NATIONAL BANK OF TULSA** provides this territory with complete banking facilities. Ranking **FIRST** in Oklahoma it is **102nd** among banks in the entire country and is



The Oil Bank of America

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

000 acres, which support two-thirds of the entire population. It is estimated that the cultivated area could be doubled without resorting to completely marginal lands, particularly if irrigation is extended.

Irrigation of the fertile alluvial soils of the lower Rio Grande Valley during the past two decades has converted a region of arid brush wastes into thriving, thickly settled communities, specializing in the growing of citrus fruits and truck crops for northern and eastern markets. The "Magic Valley" produces every month of the year, but principally in the Winter and early Spring. Early potatoes and other truck crops are normally shipped in March, when they command premium prices.

A LAND OF FLOCKS

DESPITE the advances of mining and agriculture, the Southwest remains a great pastoral region. The movies and innumerable books have popularized the colorful, adventurous history of its cattle industry during the palmy days of the last century. From 1867 to 1890 the Chisholm and other famous Texas trails delivered 10,000,000 cattle to northern packing houses and the stock ranges of the northern Great Plains.

It is not so well known that today Texas leads all other states in the number of its cattle, sheep, goats and mules, as well as in the production of wool and mohair. Its pasture lands total some 98,000,000 acres—slightly less than the combined area of the New England and Middle Atlantic States. Ranches rivaling Delaware or Rhode Island in size are still to be found. Before it was par-

tioned in 1935, the King Ranch in the lower Rio Grande region comprised 1,250,000 acres, with 125,000 head of cattle and enough wire fencing to stretch from Boston to Chicago.

But though authentic cowboys, contemptuous of their Hollywood imitators, still ride its ranges, the Southwest is already advancing into the secondary stage of industrial development, particularly in eastern Texas. In the six states of Texas, Oklahoma, Louisiana, New Mexico, Arkansas and Arizona, manufacturing establishments employed an average of 231,805 persons in 1935 and paid total wages of \$196,499,617. The value of the industrial products of Texas increased 50 per cent during the decade from 1920 to 1930, as against a 9 per cent rise in the value of all American manufactures. In 1937 the gross

income of Texas from its manufacturing industries was \$1,250,000,000, a six-fold increase since 1910.

MANUFACTURES

MOST southwestern factories are engaged in converting into finished and semi-finished products the bulky raw materials unsuited for shipment to more distant manufacturing centers. But a start has been made in the manufacture of textiles, chemicals, machinery and similar goods representing a higher stage of industrial production. Many new industries are in process of establishment, notably one for the manufacture of newsprint and other paper from yellow pine. The 10,615,000 acres of pine forests in East Texas are capable of producing 10,000,000 cords of pulpwood annually, enough to support

Texas grows not less than 100 different crops on some 30,000,000 of her acres



TRIANGLE

ILL. AND PREFERENCE by Bankers of 68%

Key Bank in the Central South

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That 208 of the 306 national and state banks in Tennessee, or 68% bank with the American National Bank indicates the preference for this bank by its fellow bankers.

★ Each pin on the map indicates a bank which banks with the American National.

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AMARILLO TEXAS

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The Hub of the Panhandle

Serving a section of great natural resources. Home of the largest gas field, and greatest carbon black industry in the World. In second largest oil field area in the World; oil wells flowing liquid gold, gas at a rate equivalent to coal at \$1.00 per ton. The center of a section that can raise enough Wheat to feed one half of the United States, and produce enough Cotton to clothe the other half. The Hereford cattle capital of Texas, and other resources that make it a wonderful field for the investment of capital.

AMARILLO CLEARING HOUSE ASSOCIATION

AMARILLO NATIONAL BANK
AMERICAN NATIONAL BANK
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a fairly large-scale paper industry. What a startling transformation the Southwest has witnessed during the past century! In 1821, when Stephen F. Austin founded his first colony of Americans in Texas, there were probably not more than 10,000 whites—Spanish and American—in the entire region west of the Sabine and Red Rivers. As late as 60 years ago the Southwest was still a semi-wilderness, harassed in parts by outlaws and hostile savages, cradling such men as the Texas Rangers, who could “ride like Mexicans, trail like Indians, shoot like Tennesseans and fight like the devil.”

But 1917 found the single state of Texas populous enough to furnish 200,000 first-class fighting men to Uncle Sam's World War armies. Today the southwestern economic empire is a lusty young giant, vigorously laying the foundations for new wealth and power. It fulfills with unsurpassed effectiveness its traditional rôle as the prodigal supplier of raw materials to the industries of the world. In addition, it is taking steps to exploit its own rich and rapidly expanding market for manufactured goods in competition with the industrial North and East. Already the burgeoning manufacturing industries of the Southwest look toward Latin America and overseas markets for additional outlets for their products.

Facts About Texas and the Southwest

THE Federal Reserve Bank of the Eleventh District at Dallas has branches at Houston, San Antonio and

El Paso, Waco, Fort Worth and Galveston are Federal Reserve cities.

* * *

Savings and other time deposits of Texas, Louisiana, Arkansas and Oklahoma aggregated \$557,400,000 in 1930, \$374,600,000 in 1934 and \$402,200,000 in 1936. Savings deposits reported by 116 banks of the Dallas Federal Reserve District as of April 30, 1938, totaled \$160,071,149, an increase of 3.3 per cent since Apr. 30, 1937. Houston banks reported savings deposits of \$28,605,513; Dallas, \$26,096,451; San Antonio, \$17,572,768.

* * *

Resources of 793 commercial banks in Texas insured by the F.D.I.C. totaled \$1,524,776,000 on December 31, 1937. Deposits were \$1,349,137,000 (demand, \$924,439,000; time, \$207,020,000 excluding interbank). Loans and discounts totaled \$459,389,000, a gain of \$56,123,000 over the total for December 31, 1936.

* * *

Texas ranked ninth among the states in the number of Federal income tax returns filed for the tax year 1936. The Texas returns increased from 135,739 for 1935 to 160,314 for 1936. The tax rolls of the state totaled \$3,191,608,321 in 1935.

* * *

Out of 15,580 active banks in the United States in June 1937, Texas had 874, Oklahoma 401, Arkansas 223, Louisiana 146, New Mexico 41 and Arizona 13. The total assets of all U. S. banks were \$68,941,069,000, while those of all Texas banks were \$1,481,337,000, Oklahoma \$495,727,000, Louisiana \$468,-

Fort Sam Houston, at San Antonio, is the largest army post in the country. Headquarters for the 8th Corps Area, it covers 3,330 acres



ZINTGRAFF
BANKING

960,000, Arkansas \$188,116,000, Arizona \$89,288,000 and New Mexico \$59,667,000. The respective figures for total deposits were: United States \$59,-822,370,000, Texas \$1,300,720,000, Oklahoma \$444,890,000, Louisiana \$419,-011,000, Arkansas \$163,387,000, Arizona \$81,830,000 and New Mexico \$54,974,-000.

* * *

Texas produces about 40 per cent of all United States oil and nearly 20 per cent of the world supply. Oil lease rentals alone in Texas amount to about \$15,000,000 annually. During 1934, owners of oil land and royalties in Texas were paid \$102,000,000 for bonuses, rentals and royalties, a sum greater than the value of any of the state's farm crops except cotton. Expenditures of the Texas oil industry in 1933 were estimated at \$560,000,000, including \$200,000,000 for materials, supplies and services and a payroll of \$150,000,000. On January 1, 1935, the state had some 50,000 miles of oil pipe lines, laid at a cost of \$450,000,000, and 207 refineries representing an investment of \$400,000,-000. The refineries had an average straight-run capacity of 1,010,269 barrels daily and an average cracking capacity of 550,998 barrels daily.

The East Texas oil field, largest in the world, has about 20,000 wells. Its discovery in 1930 converted numerous East Texas towns into cities of over 10,000 population almost overnight.

The deepest oil well in the world in 1935 (12,786 feet) was in Upton County, Texas. In 1936 the same well held the distinction of being the world's biggest producer.

* * *

Texas produces from 6 to 9 per cent of the entire raw material output of the United States and about 2 per cent of the manufactures. Besides its oil, sulphur, iron, coal and other basic minerals, the state possesses valuable deposits of fullers' earth (used in making lubricating oils), mica, and salt.

* * *

Texas has about four-fifths of all the Angora goats in the country and produces four-fifths of the mohair. It also leads the nation's turkey-raising industry, shipping about 1,600 carloads to market annually.

* * *

Texas has over a million more cattle than it has people, and it produces about 10 per cent of the nation's beef. The value of all livestock on Texas farms on January 1, 1938, was \$356,-532,000, divided as follows: 7,245,000 cattle and calves, \$174,705,000; 740,000

mules and mule colts, \$69,684,000; 1,444,000 milk cows, \$49,096,000; 9,400,000 sheep and lambs, \$45,830,000; 714,000 horses and colts, \$45,373,000; 1,542,000 swine, \$12,400,000; and 3,050,000 goats and kids, \$8,540,000. Almost the entire wool clip is shipped to New England in the raw state.

* * *

For the first quarter of 1938, the cash farm income of five southwestern states from sale of the principal farm products and from Federal benefit payments was: Texas, \$87,448,000; Oklahoma, \$29,942,000; Louisiana, \$17,868,000;

Arizona, \$13,993,000; New Mexico, \$6,808,000. For the four states of Texas, Louisiana, Arkansas and Oklahoma, the cash income from farm crops in 1935 was \$477,500,000 and from livestock \$266,300,000. At the 1935 agricultural census, Texas had 501,017 farms operated by 211,440 owners, 286,103 tenants, 76,468 croppers and 3,474 managers. The average acreage per farm was 274.6 and the average value of each farm was \$5,137.

* * *

The area under irrigation in Texas increased from 516,120 acres in 1920 to



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are proof of preference for THIRD NATIONAL service. In our new building, we are better equipped than ever to represent your institution in this great section.



THIRD NATIONAL BANK IN NASHVILLE

MEMBER FEDERAL RESERVE SYSTEM
Member Federal Deposit Insurance Corporation

798,917 acres in 1930. In the latter year existing irrigation projects were capable of supplying water to 1,177,416 acres.

* * *

Normally, more than half the total value of Texas crops is exported to foreign markets. The Lone Star State has for many years produced over half of all United States cotton exports. Since 1850 it has shipped abroad over 180,000,000 bales of cotton, which provided the clothing for about 15 to 20 per cent of the world's civilized population during that period. The state's cotton acreage, however, has declined

from 16,913,568 acres in 1929 to 12,664,000 acres in 1937.

* * *

Louisiana, Texas and Arkansas produce four-fifths of the United States rice crop. The 1937 Texas grapefruit crop—8,900,000 boxes valued at \$7,120,000—represented a six-fold increase over the average yearly production for 1928–32. About 2,500 carloads of tomatoes are shipped annually from Jacksonville in East Texas, the largest single point of origin of tomato shipments in the country. Uvalde, Texas, home town of Vice-President Garner, is the world's largest honey center, most of the honey coming from cotton blossoms. Texas is also the country's chief source of pecan nuts and the pecan is the state tree. The bluebonnet, incidentally, is the state flower.

* * *

Texas has an important outdoor rose-growing industry, which produces annually about six million plants, valued at around \$1,000,000, and ships them to all parts of the United States for permanent planting.

* * *

From a peak production of 2,230,000,000 board feet in 1907, the Texas lumber output declined to about 650,000,000 board feet in 1935—produced by 381 sawmills. The state now ranks from sixth to eighth among the lumber producing states. The joint Federal-state timber conservation program was greatly extended in 1934–35 by the establishment of Sam Houston National Forest in the heart of the East Texas pine belt.

A Texas stand of southern pine, use of which in making newsprint has vast commercial possibilities



There are 230 kinds of fish in the waters of the Gulf Southwest. The tarpon and jewfish are the best salt water game fish and they are plentiful off the Texas coast. The waters of the Gulf yield about 2,000,000 pounds of food fish annually, not counting some 1,800,000 pounds of shrimp and approximately 50,000 barrels of oysters.

* * *

On January 1, 1936, Texas had about 16,660 miles of mainline railway track, 21,042 miles of highways, and 1,393,710 automobiles and trucks. In 1934 motor trucks and busses operating in the state carried 4,144,177 passengers and 885,537 tons of freight.

* * *


The open country, warm Winters and relatively clear atmosphere make the state ideal for aviation purposes. There are 13 U. S. Army air fields in Texas and about six commercial air lines operate in or through it, including a transcontinental trunk line and a branch line of Pan American Airways extending via Brownsville to Mexico and the Central American countries.

* * *

Artesian wells supply water for many Texas cities, including Houston, the Convention city.

* * *

The mean normal temperature of Texas is 74 degrees in the extreme south and 56 degrees in the northernmost reaches of the Panhandle. Rainfall ranges from 50 inches per year in the Sabine Basin region to less than 10 inches at El Paso.



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these in connection with
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BANK**

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The wilderness forming the Big Bend region of western Texas is called the last United States frontier. It is famous for the beautiful scenery of Los Chisos (The Ghosts), a range of mountains in Brewster County; for the Santa Helena Canyon of the Rio Grande with its 1,800-foot vertical walls, and for the Shafter silver mine which has produced almost continuously for half a century.

* * *

The racial distribution of the population of Texas at the 1930 census was: Whites, 4,283,491; Negroes, 854,964; Mexicans (mostly of Indian origin), 683,681. The state's population increase from 4,663,228 in 1920 to 5,824,715 at the 1930 census was due largely to the opening of new wheat and cotton areas in West Texas and the great expansion of truck crops and citrus orchards in the lower Rio Grande valley.

* * *

There were 896 publications of all kinds issued in Texas in 1935. In the previous year, the state counted 75 universities, colleges and professional schools, with 37,657 students and total receipts, including additions to endowment funds, of \$17,671,000.

* * *

Flags of six sovereign states have been planted on the soil of Texas, namely France, Spain, Mexico, the Republic of Texas, the Southern Confederacy and the United States.

* * *

Nearly a century before the Pilgrims landed at Plymouth Rock, the Spanish captain, Cabeza de Vaca, explored the Louisiana and Texas coastal region

(1528-36). In 1540-42 Vásquez de Coronado traversed the Staked Plains of the Texas interior in search of a reported Eldorado, and in 1542 members of De Soto's ill-fated expedition penetrated into East and West Central Texas. The Spaniards did not permanently occupy Texas, however, until after the Sieur de la Salle founded a short-lived French colony at Matagorda Bay in 1685.

* * *

The word "Texas" is believed to come from the Spanish transliteration of an Indian word meaning "friends".

* * *

The first permanent Anglo-American settlement in Texas was founded by Stephen F. Austin at San Felipe de Austin on the Brazos River in 1821. Fifteen years later the independence of Texas from Mexico was proclaimed (March 2, 1836). Immediately afterwards occurred the two outstanding battles in the state's history—the siege of the Alamo and the Battle of San Jacinto. The Alamo at San Antonio was captured March 6, 1836, after a heroic resistance, by the Mexican general, Santa Anna, who slaughtered every one of the 183 members of the garrison. On April 21 General Sam Houston brought the conflict to an end by crushing the Mexican army on the banks of the San Jacinto River, near the present site of Houston, and capturing Santa Anna.

* * *

Tabasco sauce is brewed on Avery Island off the Louisiana coast. Nearby are four of the largest salt mines in the world, which produced most of Louisiana's output of 918,414 short tons of salt in 1936.

The natural gas of the Panhandle oil region is burned in "hot houses" to produce the soot known as carbon black



November 1938

CUSHING



...When you come to
Houston for the A.B.A.
Convention be sure to
drop by the bank and
say "Howdy."

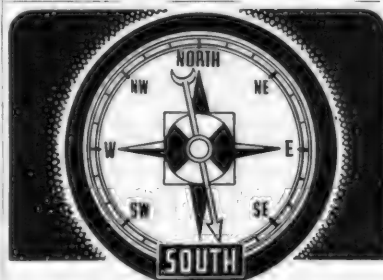


San Jacinto NATIONAL BANK

Main and Lamar
HOUSTON



MEMBER F. D. I. C.



THE COMPASS POINTS SOUTH

While Memphis is 37th in population, it ranks 17th among American cities in wholesale trade! Follow the business compass. Look South.

THE
FIRST NATIONAL
BANK OF
MEMPHIS
MEMPHIS, TENN.



Since the Last Membership List

THE American Bankers Association last Spring published a list of its members as of March 31, 1938. Following are the names of institutions which have been added between that date and October 13.

ALABAMA

Bank for Savings and Trusts, Birmingham.

ARKANSAS

Bank of Dover, Dover.

CALIFORNIA

Bank of America N.T. & S.A., Toluca Lake Branch, Burbank; Bank of America N.T. & S.A., Santa Fe and 49th Branch, Vernon; Bank of Amador County, Jackson; Central Bank, Fruitvale Branch, Oakland; Central Bank, Telegraph Avenue Branch, Oakland; First National Bank, Richmond; County First Savings Bank, Santa Cruz; Citizens National Trust and Savings Bank of Riverside, Rialto Branch, Rialto.

FLORIDA

Citizens Bank, Bunnell.

GEORGIA

Citizens Exchange Bank, Carnesville; Commercial Bank, Crawford; First State Bank, Blakely; First National Bank, Lawrenceville; Bank of Toccoa, Toccoa.

ILLINOIS

Lindner and Boyden Bank, Buda; First National Bank, Bunker Hill; Cosmopolitan National Bank of Chicago; Kaspar American State Bank, Chicago; DeWitt County National Bank, Clinton; Dewey State Bank, Dewey; First National Bank in East Peoria, East Peoria; Flanagan State Bank, Flanagan; Hoyleton State and Savings Bank, Hoyleton; National Bank of Lanark, Lanark; First State Bank, Newman; Farmers and Merchants Bank, Pesotum; Rushville State Bank; Rushville; First National Bank, Tuscola; Farmers and Merchants State Bank, Virden.

INDIANA

Farmers and Merchants Bank, Clay City; Union Bank and Trust Company, Delphi; National Bank of Greenwood, Greenwood; Citizens State Bank, Jamestown; Woodburn State Bank, Woodburn.

IOWA

Auburn Savings Bank, Auburn; Farmers State Bank, Charter Oak; Dunlap Savings Bank, Dunlap; Hedrick Savings Bank, Hedrick; Farmers Savings Bank, Martelle; First National Bank, Missouri Valley; Mondamin Savings Bank, Mondamin; Home Savings Bank, Persia; Farmers State Bank, Ridgeway; First Trust and Savings Bank, Wheatland.

KANSAS

First National Bank, Axtell; State Bank of Axtell, Axtell; Farmers National Bank, Beaver; Farmers State Bank, Blue Mound; Exchange State Bank, Douglass; Farmers and Merchants State Bank, Ellingham; Peoples Exchange Bank, Elmdale; Security State Bank, Eskridge; Huron State Bank, Huron; Isabel State Bank, Isabel; State Bank of Kelly, Kelly; State Bank of Lancaster, Lancaster; Lyons State Bank, Lyons; Olpe State Bank, Olpe; Paradise State Bank, Paradise; Citizens State Bank, Seneca; Farmers National Bank, Victoria; First National Bank, Waverly; Galatia State Bank, Galatia; First National Bank, Goff.

KENTUCKY

Brownsville Deposit Bank, Brownsville; Kentucky State Bank, Carrollton; Commercial Bank of Dawson, Dawson Springs; Bank of Gilbertsville, Gilbertsville; Citizens Bank, Kuttawa; First State Bank, LaGrange; Central Exchange Bank, Lexington; Farmers Bank, Milton; Citizens Bank, Morehead; Planters Bank, Mortons Gap; West Side Savings Bank, Newport; Nortonville Bank, Nortonville; State Bank of Stearns, Stearns; Bank of Williamstown, Williamstown.

LOUISIANA

Guaranty Bank and Trust Company, Ponchatoula.

MARYLAND

Takoma Park Bank, Washington D.C.P.O., Takoma Park.

MICHIGAN

West Michigan Savings Bank, Bangor; First National Bank, Cassopolis; Wabek State Bank of Detroit, Detroit; National Bank of Eaton Rapids, Eaton Rapids; First National Bank, Ewart; Community State Bank, Grandville; Grosse Pointe Bank, Grosse Pointe; National Bank of Hastings, Hastings; First National Bank, Lawton; National Bank of Richmond, Richmond; Romeo Savings Bank, Romeo; United Savings Bank, Tecumseh; Home Savings Bank, Trenary; Utica National Bank, Utica; First Commercial Savings Bank of Constantine, White Pigeon.

MINNESOTA

Avon State Bank, Avon; First State Bank, Bayport; Security State Bank, Bemidji; Blackduck State Bank, Blackduck; Buffalo National Bank, Buffalo; Peoples State Bank, Cambridge; Chokio State Bank, Chokio; Empire State Bank, Cottonwood; Crookston Trust Company, Crookston; State Bank of Danvers, Danvers; American State Bank, Erskine; Farmers State Bank, Fosston; Pope County State Bank, Glenwood; Goodhue State Bank, Goodhue; First National Bank, Good Thunder; First State Bank, Grove City; Farmers State Bank, Hayward; Security State Bank, Hector; Norman County State Bank, Hendrum; Security State Bank, Howard Lake; Security State Bank of Kenyon, Kenyon; State Bank of Kimball, Kimball; State Bank of Lake Elmo, Lake Elmo; Security State Bank of Marine, Marine-on-St. Croix; Security State Bank, Maynard; State Bank of Milan, Milan; Chicago-Lake State Bank, Minneapolis; Merchants State Bank, North Branch; Farmers State Bank, Pequot; First National Bank, Plainview; State Bank of Redwood Falls, Redwood Falls; State Bank of Rogers, Rogers; First National Bank, Verndale; American State Bank, Watertown; Farmers State Bank, Winger; Citizens State Bank, Winsted; First State Bank, Wyoming; Hardwick State Bank, Hardwick.

MISSOURI

Clifford Banking Co., Clarksville; American Trust Company, Hannibal.

NEBRASKA

Citizens Bank, Bancroft; Security National Bank, Laurel; Shickley State Bank, Shickley.

NEW JERSEY

Guarantee Bank and Trust Company, Marine Atlantic Safe Branch, Atlantic City.

NORTH CAROLINA

Bank of Ahoskie, Ahoskie; Guaranty Bank and Trust Company, Belhaven; Bank of Biscoe, Biscoe; Bank of Bladenboro, Bladenboro; Waccamaw Bank and Trust Company, Clarkton; Surry County Loan and Trust Company, Dobson; Waccamaw Bank and Trust Company, Fairmont; Hertford Banking Company, Hertford; Durham Bank and Trust Company, Mebane Branch, Mebane; Surry County Loan and Trust Company, Mount Airy; Bessemer City Bank, Mount Holly Branch, Mount Holly; Farmers Bank, Pilot Mountain; First Citizens Bank and Trust Company, Richlands; Bank of Rowland, St. Pauls; Waccamaw Bank and Trust Company, Southport; Merchants and Farmers Bank, Statesville; Farmers Bank of Sunbury, Sunbury; Durham Bank and Trust Company, Wake Forest Branch, Wake Forest; Peoples Bank and Trust Company, Whitakers; Guaranty Bank and Trust Company, Williamston; Peoples Bank and Trust Company, Zebulon.

NORTH DAKOTA

First State Bank, Page.

OHIO

Union Bank of Commerce Company, Cleveland; Portsmouth Banking Company, Portsmouth.

OKLAHOMA

First State Bank, Davidson.

PENNSYLVANIA

Bedford County Bank, Alum Bank; Sunbury Chapter, A.I.B., Sunbury.

TENNESSEE

Sweetwater Bank and Trust Company, Sweetwater.

TEXAS

Hillcrest State Bank of University Park, Dallas; Security State Bank, Hedley; First State Bank in Seagraves, Seagraves; Citizens State Bank, Wheeler.

UTAH

Beaver City Bank, Branch of Milford State Bank, Beaver; Midvale Branch of Sandy City Bank, Midvale.

VIRGINIA

Eastern Shore Citizens Bank, Painter; Bank of Phenix, Inc., Phenix.

WASHINGTON

Bank of Aberdeen, Aberdeen; Almira State Bank, Almira.

WEST VIRGINIA

First National Bank, Parsons; Webster Springs National Bank, Webster Springs; Center Wheeling Savings Bank, Wheeling.

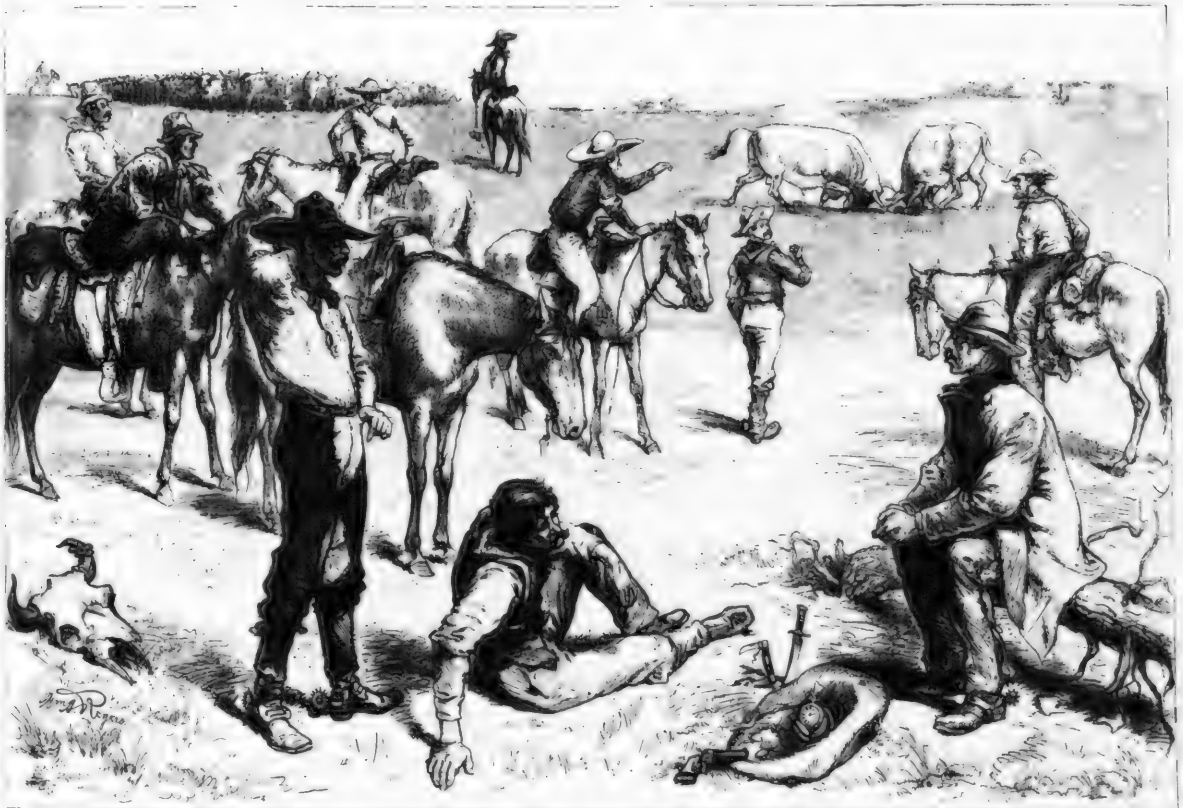
WISCONSIN

Peoples Bank, Antigo; Bank of Barron, Barron; Bank of Cameron, Cameron; Guardian Mutual Savings Bank, Milwaukee; Bank of Osceola, Osceola; Shell Lake State Bank, Shell Lake; Farmers State Bank, Stetsonville; Wisconsin Valley Trust Company, Wausau; State Bank of Withee, Withee; Farmers State Bank, Bangor; Bank of Holmen, Holmen; Exchange State Bank, LaCrosse.

MEXICO

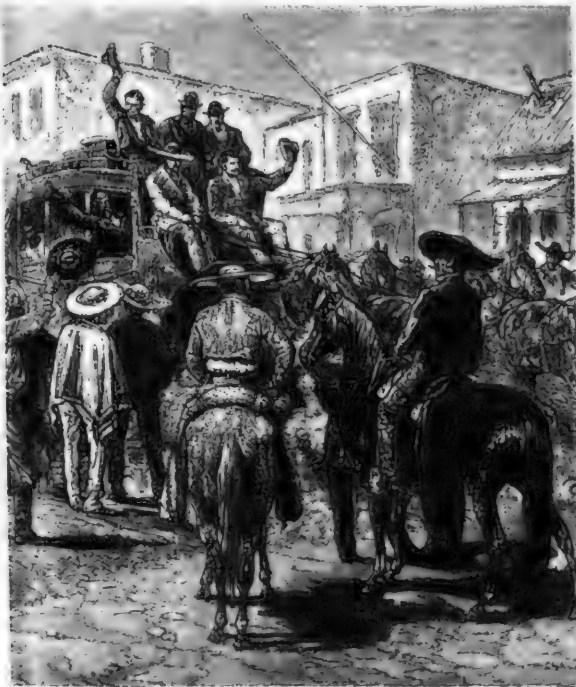
Banco Mercantil, S. A., Ensenada, Lower California; Banco Mercantil, S. A., Tijuana, Lower California.

From the Album



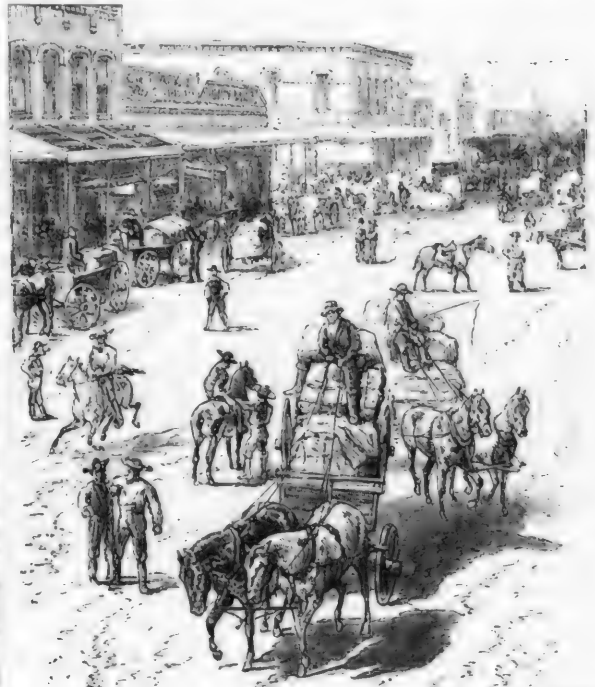
"Among the Cowboys—Betting on the Bullfight"

CULVER



T. F. HEALY

Yuma stage leaving Fort Worth



T. F. HEALY

Cotton wagons, Elm Street, Dallas



An early print of Brownsville, Texas

CULVER



An early print of Austin in the 1840's

CULVER



CULVER

Sam Houston



CULVER

The fight at The Alamo



Texas cowboys capture a town

CULVER



A storm on the range

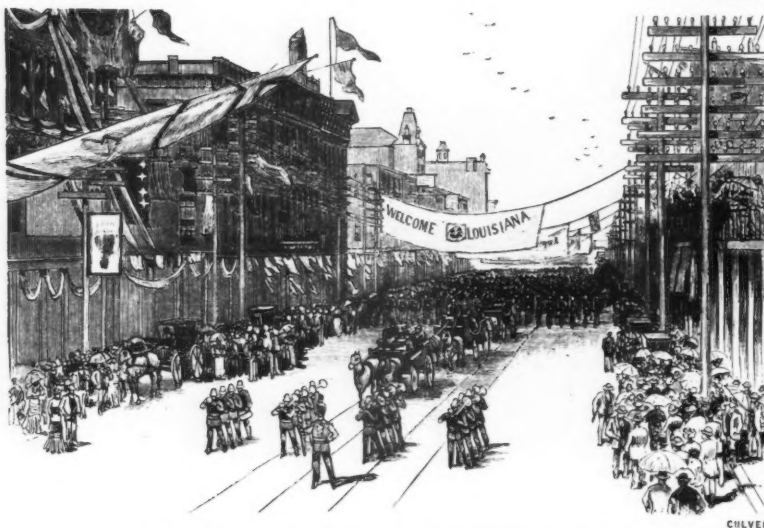
CULVER



COLONEL DAVID CROCKETT.

NO country has been so productive of the genuine backwoodsman as our own. We do not mean a mere clodhopper — every land is full of them — but such men as Cooper's original for Leather Stocking and Harvey Birch, or Judge Haliburton's Sam Slick; men whose birth was obscure, and whose education was neglected, but whose "natural gifts," as they say in Yankeedom, were of a high order, and who, had they been educated, would have been among "the great men" of the nation.

Such a man was DAVID CROCKETT, the eccentric, laughter-loving, fun-making backwoodsman, of whom more amusing stories are told than of any other man in our country. He was born at the mouth of the Limestone River, in Greene county, East Tennessee, on the 17th of August, 1786. He was of Irish descent. The climate of his birthplace seems to have had no effect in destroying the real natural humor, which appears in every passage of our hero's life — and his father took a prominent part in the revolutionary war, shedding his blood freely for the establishment of our national independence. At the time of David's birth, East Tennessee was a mere wilderness. Of course the boy grew up without the means of education, save such as an occasional month at some rustic school, or the lessons taught him in his rude home, afforded.



An interstate drill competition in Houston in the 1850's

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San Antonio Nat'l Bank.	Crystal Ice Mfg. Co.
Maverick National Bank.	Bexar Brick & Tile Mfg. Co.
D. Sullivan & Co., Bank'rs	Wm. Cameron & Co. Lumber
Southern Mortgage Co.	H. Cunningham & Co.
C. K. Breneman, Att'y.	Boots and Shoes.
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San Antonio St. R'y Co.	Riedell & Co., Crockery.
Alamo Iron Works.	G. R. Stumberg & Co.
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LAREDO, TEXAS

The Gateway to and from the Republic of Mexico.

Is nature's grand outlet for the manufactured products of the United States and nature's grand inlet for the mineral and raw products of Mexico. For the cheap delivery of the raw material necessary for the successful operation of iron and all textile industries, Laredo holds a position unsurpassed, every material being found in the immediate neighborhood. The very foundations of the city are upon inexhaustible coal beds, now being rapidly developed. A glance at the map will show that there are no large cities within hundreds of miles of Laredo, and her favorable geographical location, being from 600 to 800 miles nearer the trade centers of both republics than any other frontier port, stamps her as the commercial entrepot between the United States and Mexico.

Laredo is becoming a most important manufacturing point, having the following industries already located and in operation: Woolen Mill, Wool Scouring Mill, Tannery, Boot and Shoe Factory, Ore Concentrating Works, Ore Sampling Works, Cotton Gin and Milling Works, Mineral Water Bottling Works, four Ice Factories, General Car and Machine Shops of the Mexican National Railroad, the largest west of the Mississippi, three large Brick Yards and several smaller establishments; a large Cotton Factory is now being erected by a New England syndicate.

Laredo offers to the Capitalist, Merchant, Manufacturer and Mechanic Opportunities for Investment, Business or Manufacturing such as no other City in the Southwest can offer.

The city is well supplied with railroad facilities and hotel accommodations, has Holly system of water works, two electric light companies and one of the best equipped electric motor street railways in the S.

PORTLAND. 1886, 3,000. 1888, 6,000. 1888, 22,000,000. 1889, 12,000. 1889, \$10,542,000.

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T. F. HEALY

Some early Texas promotion

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